**EXPLORING THE INFLUENCE OF TAXATION ON NIGERIA’S ECONOMIC GROWTH: AN IN-DEPTH ANALYSIS**

***e-ISSN: 3027-0650 Vol. 2, Issue 1, pp.110 -120, November 6 -9, 2024***

**Dr. Righteous Agor**

{[righteousmuna@gmail.com](mailto:righteousmuna@gmail.com)}

**Dr. Erhuotor Ejiro Efe**

{Ejiroefe922@gmail.com}

**Dr. Andrawus Musa**

{jibaipaka@yahoo.com}

**1**Nasarawa State University, Keffi, Nigeria

Faculty of Social Sciences

Department of Economics

**ABSTRACT**

This study examined the impact of taxation on economic growth in Nigeria for the period 2003 to 2023. The study was based on the ex-post facto research design and the expediency theory of taxation. To achieve the study objective data were gathered on Gross Domestic Product (GDP) as dependent variable and components of taxation in Nigeria including Companies Income Tax Revenue (CIT), Customs Duties Revenue (CUD), Value Added Tax Revenue (VAT), and Petroleum Profit Tax Revenue (PPT). The study conducted both the pre-estimation and post estimation tests for the variable’s trending, unit root, cointegration, causality, normality and stability. Furthermore, an ARDL model was used to determine the variable’s parameters and p-statistics test was employed to examine their significance. The results obtained shows that Company income tax (CIT) has an insignificant negative impact on economic growth such that a unit change in CIT, tend to decrease GDP by N30914.88 billion; Custom duty (CUD) has a significant negative impact on economic growth such as a unit change in CUDR, tend to decrease GDP by N340888.2billion; Value added tax (VAT) has a significant positive impact on economic growth such that a unit change in VATR, tend to increase GDP by N483495.3 billion; and Petroleum profit tax (PPT) has an insignificant negative impact on economic growth such that a unit change in PPTR, tend to decrease GDP by N19280.79 billion. The study recommends among others that the Nigerian government should reform the company income tax system to make it more efficient and less burdensome on businesses, particularly small and medium-sized enterprises (SMEs). This could include reducing the tax rate, streamlining the tax filing process, and providing tax incentives for businesses that invest in research and development, innovation, and job creation.

**Keyword:** Gross Domestic Product, Companies Income Tax Revenue, Customs Duties Revenue, Value Added Tax Revenue, and Petroleum Profit Tax Revenue

**1 INTRODUCTION**

Taxation plays a crucial role in promoting economic and social activities and growth of countries, both developing and developed because it serves as one of the major sources of their revenue. According to Organisation for Economic Co-operation and Development (OECD) (2021), United State government revenue from taxes accounts for over 50 per cent of all government revenue since the past decade, and accounted for $3.42 trillion generated in 2020 by the government. It has been ranked as a major source of revenue in countries such as UK, France, Sweden, Norway, and other high-income countries. In Africa, tax revenue has significantly contributed towards the economic growth of different countries. Weigel (2020) show that people are more willing to engage with public affairs when revenue is sourced through taxation. Tax payments should be obligatory, non-negotiable and binding on all citizens of a country regardless of religion and social status. (Anthony, 2016).

Through taxation, government ensures that resources are channeled towards important projects in the society while giving support to the weak. Orjih (2001) stated that taxation is useful in raising revenue, controlling the consumption of certain commodities, controlling monopoly, reducing income inequalities, improving the balance of payments as well as protecting infant industries. Taxes are used in modern time to generate revenue. They are applied to fund governance generate employment, ensure resource redistribution and stimulate growth in the economy. Tax has two basic functions. Tax creates a major and regular source of revenue to meet the government's spending needs. The mandatory nature with wide impact of tax is an important basis for the government to mobilize financial resources timely and sufficiently from the economy. Tax is also a tool to regulate the economy. By the means of tax, the government regulates the behaviour of enterprises and individuals, thereby directing production and consumption. A reasonable tax policy will promote economic growth, whereas an unreasonable tax regime will constrain enterprises and distort society’s consumption behaviour (Nguyen, 2019). Tax is a significant tool of fiscal and economic policy.

Nigeria, taxation has been in existence even before the coming of the colonial men or the British (Samuel and Tyokoso, 2014). The critical burden hindering the Nigerian economy is how to diversify its revenue generation base (Adegbie, 2011); which has consistently depended on the earnings from crude oil. The Nigerian economy may go down the drain if alternative sources of revenue generation are not urgently made towards sustaining the drive for diversifying the revenue base of the economy. The demand for Nigeria’s crude in international market has reduced by major oil consuming nations of the world. This is not a good pointer for the country which depends on oil revenue for its survival and sustainability. However, the resultant problem of tax generation in Nigeria is the issue of appropriate data to capture all tax payer’s information, and when such taxes are collected, they seem to be majorly diverted through the pipes of corruption thereby reducing its significant impact on economic growth. Also, because of this, most tax payers are demotivated to pay taxes believing that such taxes will not be adequately utilised in creating the needed economic growth which results in cases of tax evasion and tax avoidance. However, this study aims to investigate the impact of taxation on economic growth in Nigeria. The objectives of the study are therefore: (i) Examine the impact of Companies Income Tax on Economic Growth in Nigeria. (ii) Determine the impact of Customs Duties on Economic Growth in Nigeria. (iii) Evaluate the impact of Value Added Tax on Economic Growth in Nigeria. (iv). Assess the impact of Petroleum Profit Tax on Economic Growth in Nigeria. The rest of the study is presented as follows: section 2 presents the literature review involving the theoretical underpinning of the study and the review of empirical studies. Section 3 focuses on material and methods which captures the data and model specifications. Section 4 analyses the data and divulges the findings, while sections 5 concludes the paper and highlights the recommendations.

**2.0 REVIEW OF RELATED LITERATURE**

**2.1 Conceptual Framework**

**2.1.1 Taxation**

Taxation is the transfer of resources as income or revenue from the individual, corporation and private sector to the public sector for its utilization to achieve some if not all the nation’s economic and social goals such as provision of basic amenities, social services, educational facilities, public health, transportation, and capital formation. According to Nigeria’s National Tax Policy (NTP, 2020), a tax may be seen as a levy or charge that has been imposed on individuals or legal entities by a given state or authorized body in a state. It explains a monetary burden that has been placed on property and individuals to support government spending.

Taxation is an important fiscal policy instrument at the disposal of governments to mobilise revenue and promote economic growth and development. Governments use tax revenue to carry out their traditional functions such as the provision of public goods and services; maintenance of law and order; defence against external aggression; and regulation of trade and business to ensure social and economic maintenance. The Institute of Chartered Accountants of Nigeria (2016) and the Chartered Institute of Taxation of Nigeria (2012) defined tax as an enforced contribution of money to government pursuant to a defined authorized legislation. In other words, every tax must be based on a valid statute. Without a valid statute no legitimate tax can be imposed. Tax is a method of raising the revenue for the day to day running of government activities. Government activities involve generating funds and using same to provide security, social amenities, infrastructural facilities, etc., for the inhabitant of the country. Base on this, it is worthy of note that the objective of taxation is in tandem with the functions of government (Akhor, 2016).

**2.1.2 Economic Growth**

Economic growth can be defined as the sustained increase in a country’s productive capacity, and per capita national output or net national product over a while. These increases are the basic causes of economic growth. Fiscal policy is one of the most important tools that have a significant effect on all economic sectors and have a real effect on economic variables like the Gross national product, inflation, unemployment, etc. Taxes can be seen as a fiscal policy, macroeconomic, and internal revenue mobilization tool for the attainment of economic growth. Economic growth can be proxied, using different economic indicators, ranging from Gross National Product (GNP), Gross Domestic Product (GDP), Human Development Index, and Per Capita Income. But in this study, economic growth was measured with Gross Domestic Product (GDP), and Human Development Index (Salami, 2015).

Economic growth has been major concern of nations whether developed or developing around the world. Economic development and Economic growth have been used interchangeably over the years; despite the slight difference between the two concepts. According to Organisation for Co-operation and Development (OECD), economic development is a deliberate policy intervention aimed at enhancing the economic and social well-being of people, while, economic growth is a phenomenon of an active market productivity resulting in increase in Gross Domestic Product (GDP) (Organization for Economic Cooperation and Development, 2014).

Gross Domestic Product (GDP) is a monetary measure of the market value of all the final goods and services produced in a period, often annually or quarterly. "An aggregate measure of production equal to the sum of the gross values added of all resident and institutional units engaged in production (plus any taxes, and minus any subsidies, on products not included in the value of their outputs)” (OECD, 2014). GDP measures the monetary value of final goods and services—that are bought by the final user produced in a country in a given period of time (say a quarter or a year) (IMF, 2016).

**2.2. Theoretical framework**

**Expediency Theory of Taxation**

This study is anchored on the expediency theory of taxation propounded by Buehler (1936). The theory stated that every tax collection system must pass the test of practicability, which must be the only consideration when government is choosing a revenue collection system. The assumption of this theory is that the economic and social objectives of the government should be treated as irrelevant, since it is useless to have a tax which cannot be levied and collected effectively (Chiamaka, Obinna, Friday and Oraekwuotu, 2021).

The theory believes in the effectiveness and efficiency of tax collection and its instruments so as the needed revenue would be collectively generated, the theory also believes in the power of tax in remedying economic and social ills of the society bridging the gap in income inequality, regional disparities and how taxation can be used to fight unemployment which forms the bases for this study; solving revenue issues of government, providing solutions to economic woes of the country through taxation.

**2.3 Empirical Review**

El-Shagi (2020) examined the nexus between taxation and Economic Growth in Nigeria. The study employed a Survey of the Literature and Variables used include Tax revenue, GDP, inflation, unemployment. The study found that the relationship between taxation and economic growth is complex and depends on various factors such as the level of economic development, tax structure, and institutional quality. The study recommended that Policymakers should consider the impact of taxation on economic growth and implement tax reforms that promote sustainable economic development.

Bakar (2020) investigated the impact of corporate taxation on economic growth for 20 developed countries over the period 1990-2015. Variables Used include Corporate tax rate, GDP, GDP growth rate, inflation rate, and government expenditure. Panel data regression analysis using the system GMM estimator was employed. The re A 1% increase in the corporate tax rate is associated with a 0.15% decrease in GDP growth rate. The study recommended that governments should consider reducing corporate tax rates to stimulate economic growth.

Bank-Ola (2021) examined the impact of VAT on economic growth in Nigeria from 1999 to 2019. The ARDL model was employed using time series data. The result of the analysis in the short run, showed that VAT has a negative and significant effect on economic growth whereas in the long run, the effect was positive but insignificant on economic growth. Inflation also has a significantly positive effect, whereas interest rate has a significantly negative effect on economic growth in the long run. The study concludes that in the long run, a positive relationship exists between VAT and economic growth in Nigeria.

Onoja and Ibrahim (2021) examined the relationship between tax revenue and Nigeria economic growth. In order to achieve this objective, data was gathered through secondary means. Tax revenue is proxy by PPT, VAT and CIT, while economic growth is proxy by GDP. The study revealed that PPT has a positive but no significant relationship with Nigeria economic growth, while VAT and CIT have significant relationship with Nigeria economic growth.

**3.1 MATERIALS AND METHODS**

The study adopted the ex-post facto research design. The study evaluated the impact of taxation on economic growth in Nigeria. The study used archival data whose manifestations have already occurred and the researcher cannot manipulate the outcome. The study scope is 2003– 2023 and data were sourced from the statistical bulletin of the Central Bank of Nigeria 2023.

**3.2 Model Specification**

This study adapted the model of El-Shagi (2020) who examined the nexus between taxation and Economic Growth in Nigeria with modifications. His study employed variables including GDP, Tax revenue, inflation and unemployment stated functionally as:

GDP =f (TXR, IFR, UER) ………………………. …………….……………………. . . . . . (3.3)

Where:

GDP = Gross Domestic Product (proxy of Economic Growth)

TXR = Tax Revenue

IFR = Inflation Rate

UER = Unemployment Rate

Equation 3.3 is modified by replacing its variables with those of the current study and restated thus:

GDP = f(CIT, CUD, VAT, PPT) - - - - - - - (3.4)

Where:

GDP = Gross Domestic Product

CIT = Companies Income Tax Revenue

CUD = Customs Duties Revenue

VAT = Value Added Tax Revenue

PPT = Petroleum Profit Tax Revenue

GDP = α + β1CITRt + β2CUDRt + β3 + VATRt + β4PPTRt + Ut ………………….….………. (3.5)

Where:

α = Constant Intercept

β1, β2, β3, & β4 = Parameter Estimates

Ut = Stochastic Error Term

The model parameter estimates (β1, β2, β3, & β4) are expected to bear positive (+) signs such that they have positive impact on economic growth.

**4.1 Data Analysis and Discussions**

The data used for this study are presented in appendix A attached. These include time series on Gross Domestic Product (GDP), Companies Income Tax Revenue (CIT), Customs Duties Revenue (CUD), Value Added Tax Revenue (VAT), and Petroleum Profit Tax Revenue (PPT) the periods 2003 to 2023 in Nigeria

**4.1.1 Regression Results**

**Table 4,1: ARDL Short-Run Regression Results**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
|  |  |  |  |  |
| ECT(-1)\* | -0.818804 | 361.6788 | -5.028782 | 0.0000 |
|  |  |  |  |  |

**Table 4.4: Long-Run ARDL Regression Results**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
|  |  |  |  |  |
| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|  |  |  |  |  |
|  |  |  |  |  |
| C | 8028759. | 11917982 | 0.673668 | 0.5054 |
| CIT(-1) | -30914.88 | 56008.17 | -0.551971 | 0.5848 |
| CUD(-1) | -340888.2 | 116566.9 | -2.924399 | 0.0063 |
| VAT(-1) | 483495.3 | 44114.85 | 10.95992 | 0.0000 |
| PPT(-1) | -19280.79 | 10356.41 | -1.861724 | 0.0718 |
|  |  |  |  |  |
|  |  |  |  |  |
| R-squared | 0.958098 | Mean dependent var | | 1.05E+08 |
| Adjusted R-squared | 0.952860 | S.D. dependent var | | 1.94E+08 |
| S.E. of regression | 42114293 | Akaike info criterion | | 38.07476 |
| Sum squared resid | 5.68E+16 | Schwarz criterion | | 38.29245 |
| Log likelihood | -699.3831 | Hannan-Quinn criter. | | 38.15151 |
| F-statistic | 182.9195 | Durbin-Watson stat | | 1.828431 |
| Prob(F-statistic) | 0.000000 |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |

**Source:** Author’s Computation with the use of E-view 12.00, 2024

**GDP = 8028759 - 30914.88CIT - 340888.2CUD + 483495.3VAT - 19280.79PPT -0.818804ECT (4.1)**

From the long –run estimated equation, with the exception of the sign of VAT which conformed to the model apriori expectation by being positive, the signs of the rest of the variables (CIT, CUD, and PPT) did not conformed to the model apriori expectation by being negative. This means that while VAT positive impact, CIT, CUD and PPT have negative impact on economic growth proxy by GDP in Nigeria during the period under investigation,

The coefficients of CIT (-30914.88), CUD (-340888.2), VAT (+483495.3), PPT (-19280.79) implies that holding other variables constant, a unit change in CIT, CUD, VAT and PPT tend to decrease GDP by N30914.88 billion, decrease GDP by N340888.2billion, increase GDP by N483495.3 billion and decrease GDP by N19280.79 billion respectively. Furthermore, the value of the constant intercept (8028759) shows that in the absence of any change in the value of the independent variable the GDP remained fixed at N8028759 billion.

The coefficient of multiple determination (R2) of 0.958098 means 95% of variation in GDP was accounted by changes in the independent variables (CIT, CUD, VAT and PPT). The remaining 5% unexplained variation in GDP are accounted by the error term. This shows the good fit of the ARDL model.

The coefficient of ECT (-0.818804) which is negative with probability value (0.0000) less than 0.05, shows suggest that the speed of adjustment is when the model is disturbed it will return to short term equilibrium at the speed of 81%. This means that approximately 81 per cent discrepancy is corrected each year.

The F-statistics coefficient of (182.9195) which has a chi-square probability value (0.0000) suggest that a significant changes in the value of the independent variable (GDP) where jointly accounted for by changes in the independent variables (CIT, CUD, VAT and PPT).

The Dubin-Watson statistics (1.828431) is closer to the acceptable minimum value of 2.00 suggest that the model is free of serial correlation.

**4.2 Estimation Test Results**

**4.2.1 Unit Root Test Result**

The Augmented Dickey Full (ADF) Unit root test conducted on the time series variables used in this study shows the result in table 4.1 below.

**Table 4.2: Augmented Dickey Fuller (ADF) Test Result**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Variables** | **ADF T-Value** | **5% Critical T-Value** | **p-value** | **Order of**  **Integration** |
| **GDP** | -3.287668 | -2.991878 | 0.0270 | I (0) |
| **CITR** | -3.593089 | -2.998064 | 0.0142 | I (1) |
| **CUDR** | -3.073674 | -2.960411 | 0.0391 | I(0) |
| **VATR** | -3.550638 | -2.963972 | 0.0133 | I (1) |
| **PPTR** | -3.012401 | -2.998064 | 0.0486 | I (1) |

**Source:** Author’s Computation with the use of E-view 12.00, 2024

The Augmented Dickey Fuller (ADF) unit root test results in table 4.2 reveals that when tested at level, I(0), GDP and CUDR both have calculated ADF t-values less than their critical t-value at 5% level of significance. But variables, CITR, VATR and PTTR have ADF t-values greater than their critical T-Value at 5% level. The study therefore, accept H0 and conclude that GDP and CUDR have no unit root and are stationary at level but reject H0 and conclude that variables CITR, VATR and PTTR have unit root and are not stationary at level. This therefore, calls for the test at first difference.

When tested at first difference however, the results show that all the variables, GDP, CITR, CUDR, VATR and PPTR have calculated ADF t-statistics values which are greater than their critical t-values at 5% significant level. The study therefore, accept H0 of no unit root and conclude that the variables are stationary at first difference. This was also confirmed by the respective probability values of the variables which are all less than 0.05.

The mixed stationarity of the variables, some at I(0) and others at I(1) indicated the presence of their long-run relationship. Hence, the ARDL regression technique becomes applicable to the study.

**4.2.2 Co-integration (Bound) Test Results**

**Table 4.3: ARDL Co-integration Bound Test Results**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| ARDL Bounds Test | | |  |  |
| Null Hypothesis: No long-run relationships exist | | | |
|  |  |  |  |  |
|  |  |  |  |  |
| Test Statistic | Value | K |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
| F-statistic | 8.225445 | 4 |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
| Critical Value Bounds | | |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
| Significance | I(0) Bound | I(1) Bound |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
| **5%** | **3.84** | **5.02** |  |  |
|  |  |  |  |  |
|  |  |  |  |  |

**Source:** Author’s Computation with the use of E-view 12.00, 2024

The bound test for cointegration result obtained in table 4.3 shows that the calculated F-statistics (8.225445) was greater than the critical upper bound (5.02) and the critical lower bound (3.84) at 5% level of significance. The study therefore, reject H0 of no cointegration and conclude that the study variables have long-run relationship among themselves. Since the result established that there is co-integration (long-run relationship) between the variables under study, the ARDL regression technique can be confidently employed to estimate their parameters.

**4.2.4 Causality Test Result**

**Table 4.4:** Pairwise Granger Causality Test Results

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| **Null Hypothesis:** | **Obs** | **F-Statistic** | **Prob.** | **Decision** | **Causality Nature** |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| CIT does not Granger Cause GDP | 35 | 2.95465 | 0.0374 | Reject H0 | Bidirectional |
| GDP does not Granger Cause CIT | | 10.2070 | 0.0004 | Reject H0 |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| CUD does not Granger Cause GDP | 35 | 3.18671 | 0.0456 | Reject H0 | Unidirectional |
| GDP does not Granger Cause CUD | | 3.77155 | 0.0646 | Accept H0 |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| VAT does not Granger Cause GDP | 35 | 16.6318 | 0.0105 | Reject H0 | Unidirectional |
| GDP does not Granger Cause VAT | | 1.33029 | 0.2796 | Accept H0 |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| PPT does not Granger Cause GDP | 35 | 0.56830 | 0.0425 | Reject H0 | Unidirectional |
| GDP does not Granger Cause PPT | | 0.90965 | 0.4135 | Accept H0 |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

**Source:** Author’s Computation with the use of E-view 12.00, 2024

The granger casualty test results in table 4.4 shows that the P-values (0.0374, 0.0456, 0.0105 and 0.0425) for the causal relation between variables, GDP, CIT, CUD, VAT and PPT are respectively less than the standard P-value (0.05). The study therefore, reject H0 and conclude that there exist a causal relationship running from the independent variables (GDP, CIT, CUD, VAT and PPT) to the dependent variable (GDP).

The results further shows that the causal reverse relationship between dependent and independent variables have their P-values (0.0004, 0.0646, 0.2796, and 0.4165) which are greater than the standard P-value (0.05). The study therefore, accept H0 and conclude that there is no causal relationship running from the dependent variable (GDP) to the independent variables (CIT, CUD, VAT and PPT).

The results obtained implies that there exist a unidirectional causality running from the independent variables (CIT, CUD, VAT and PPT) to the dependent variable (GDP) and the reverse causality was not possible for any of the independent variables.

**4.3 Discussion of Findings**

First the study found that company income tax (CIT) has insignificant negative impact on economic growth proxy by GDP in Nigeria. This means that an increase in CIT does not have a statistically significant effect on GDP. There are several possible explanations for this finding: CIT is a complex tax with many loopholes, which can lead to tax evasion and avoidance. As a result, the tax revenue generated from CIT may not be as high as expected, reducing its impact on economic growth; CIT may not be an effective incentive for investment in Nigeria, as companies may not perceive it as a significant deterrent to investment. This could be due to other factors such as corruption, bureaucracy, and political instability; and Companies may choose to invest in alternative channels, such as foreign markets or other industries, rather than being deterred by CIT. This finding corroborates the findings of earlier studies done by Jibrin et al (2012), Musa et al. (2018); Adeniran (2020); Etim et al. (2020); Isaac et al., (2020) and disagrees with the work of Onoja and Stephen (2020).

Secondly, the study found that custom duty (CUD) has significant negative impact on economic growth proxy by GDP in Nigeria. This suggests that an increase in CUD leads to a reduction in GDP. This finding can be attributed to several factors including the fact that CUD can be seen as a trade restriction, which can reduce the volume of imports and exports. This can lead to reduced competition, higher prices, and lower economic growth; CUD can lead to the inefficient allocation of resources, as businesses may divert resources away from productive activities to comply with customs regulations; CUD can reduce economic efficiency by creating barriers to trade and investment, leading to reduced economic growth. This finding is in line with the findings of earlier studies done by Musa et al. (2017); Musa et al. (2018); Uket et al. (2020); Kaoje et al. (2020); Obaretin and Uwaifo (2020); Kareem et al. (2020); Mukolu and Ogodor (2021).

The study also found that value added tax (VAT) has significant positive impact on economic growth proxy by GDP in Nigeria. This suggests that an increase in VAT leads to an increase in GDP. There are several possible explanations for this finding including the fact that VAT is a consumption-based tax, which means that it is more likely to generate revenue from domestic consumption rather than foreign trade. This increased revenue can be used to finance public goods and services that stimulate economic growth; VAT is often seen as a more efficient and effective tax compared to other taxes, such as CIT. This improved tax administration can lead to increased government revenue and reduced corruption; VAT can be seen as a more business-friendly tax compared to other taxes, which can lead to increased investment and economic growth. This finding is in consonance with the work of Iduh et al. (2019); Adegbie et al. (2020); Awa and Ibeanu (2020); Todorovi et al. (2020); Okolo et al. (2021); Gbeke and Nkak (2021); and contradicts the works of Osho and Efuntade (2019); Aliyu and Mustapha (2020); Etim et al. (2020).

Finally, it was found that petroleum profit tax (PPT) has insignificant negative impact on economic growth proxy by GDP in Nigeria. This suggests that an increase in PPT does not have a statistically significant effect on GDP. There are several possible explanations for this finding including the fact that Nigeria's economy is heavily dependent on oil revenues, which may reduce the impact of PPT on economic growth; The petroleum industry is highly regulated and capital-intensive, which may limit the scope for investment and innovation; and Other factors such as agricultural production, manufacturing, and services may be driving economic growth in Nigeria, reducing the impact of PPT. This finding is in line with the findings of earlier studies done by Akhor et al. (2016); Nwanakwere (2019); Tanchev (2021) and contradicts the study of Pamba (2022) and disagrees with the work of Ibanichuka et al. (2016); Adegbie et al. (2020).

* 1. **Conclusions**

Taxation is of strategic importance in achieving increased income and enhanced economic growth in Nigeria. One of the main purposes of taxation is to raise revenue that the government can use to provide adequate amenities and infrastructure as well as enhance growth and development. But, the case seems to be different. It is evident from the empirical results of this study that having evaluated the contribution of taxation to economic growth, this study concludes that taxation indeed has contributed positively to the income of the government and invariably to economic growth. The study found that while company income tax (CIT) has an insignificant negative impact on economic growth, custom duty (CUD) has a significant negative impact. On the other hand, value added tax (VAT) has a significant positive impact on economic growth, while petroleum profit tax (PPT) has an insignificant negative impact. These findings suggest that policymakers should consider reforming taxation policies to promote economic growth in Nigeria. Specifically, they should consider:

**5.2 Recommendations**

Based on the study findings the following recommendations are considered imperative;

1. Government should reform the company income tax system to make it more efficient and less burdensome on businesses, particularly small and medium-sized enterprises (SMEs). This could include reducing the tax rate, streamlining the tax filing process, and providing tax incentives for businesses that invest in research and development, innovation, and job creation.
2. The tax authority should review and reduce the tariffs on imported goods to reduce the burden on businesses and consumers. This could help increase competition, reduce prices, and increase economic activity. Additionally, consider implementing a more efficient and transparent customs clearance process to reduce bottlenecks and delays.
3. The board of internal revenue should continue to implement and expand the Value Added Tax (VAT) system to encourage businesses to invest in value-added activities and stimulate economic growth. Consider increasing the VAT rate slightly to increase government revenue, but ensure that the rate is still competitive with neighbouring countries.
4. The government should consider reducing the Petroleum Profit Tax rate to encourage oil companies to increase investment in exploration and production activities, which could lead to increased oil production and revenue for the government. Additionally, consider implementing tax incentives for oil companies that invest in local communities and prioritize local content development.

**REFERENCES**

[1] Abogan O. P, Akinola E. B. & Baruwa O. I. (2014). Non-oil export and economic growth in Nigeria (1980-2011) *Journal of Research in Economics and International Finance* 3(1). 1-11.

[2] Abomaye-Nimenibo, W. A. S. Michael, J. E. M., & Friday, H. C. (2018). An empirical analysis of tax revenue and economic growth in Nigeria from 1980 to 2015. *Global Journal of Human-Social Science, Political Science*, 18(3), 9-40.

[3] Adegbie, F. (2011). Company Income Tax and Nigeria Economic Development. A co-integration analysis. *European Journal of Economics, Finance and Administrative Sciences*,28, 112-121

[4] Adegbie, F., & Falike, A. (2010). Customs and excise duties contribution towards the development and growth of Nigerian economy. *European Journal of Economics, Finance and Administrative Sciences*, 29, 133-144.

[5] Adekunle, A., Ogunleye, O., & Olaoye, J. (2016). Taxation and Economic Growth in Nigeria: A Review of Empirical Literature. Journal of Economic Development and Culture, 4(2), 1-12.

[6] Aghion, P. & P. Howitt. (1998). Endogenous growth theory, Cambridge, MA: MIT Press.

[7] Babatayo K. O. Adegbie F. F. (2021) Tax Incentives and the Growth in Sales Revenue of Small and Medium Enterprises (Smes) in Ondo and Ekiti States, Nigeria. *International Journal on Data Science and Technology*. 7(1), 1-16.

[8] Babatunde, O. A. & Ibukun, A. O. (2016). Taxation and Economic Growth in Nigeria. *Asian Journal of Economic Modelling*, *4*(4), 199–210

[9] Baiardi, D. Profeta, P. Puglisi, R. Scabrosetti, S. (2018). *Tax policy and economic growth: does it really matter? International Tax and Public Finance, (), –.*doi:10.1007/s10797-018-9494-3

[10] Bhartia, H. L. (2009): *Public Finance*. 14th Edn., Vikas Publishing House PVT Ltd.

[11] Bleaney, M. 1985: The rise and fall of Keynesian economics. London: Macmillan.

[12] Bruno, O. O., & Emmanuel, A. O. (2019). Tax revenue and the Nigerian Economy. *International Journal of Academic Science Research*, 3(2), 61–66. [[Google Scholar]](http://scholar.google.com/scholar_lookup?hl=en&volume=3&publication_year=2019&pages=61-66&issue=2&author=O.+O.+Bruno&author=A.+O+Emmanuel&title=Tax+revenue+and+the+Nigerian+Economy)

[13] Buba, J. G. (2007) “The Role of the Customs Reforms in Boosting Non-Oil Revenue in Nigeria” *University of Jos, Nigeria Symposium*

[14] Central Bank of Nigeria (CBN) Statistical Bulletin, 2020.

[15] Chude, N. P. Chude, D. I. (2013). Impact of Government Expenditure on Economic Growth in Nigeria. *International Journal of Business and Management Review*. 1(4), 64-71

[16] Cornelius, M. O. Ogar, A. I. and Okafor. A. (2016). The impact of tax revenue on economic growth: Evidence from Nigeria. *Journal of Economics and Finance*, 7 (1); 32-38

[17] Dladla, K., & Khobai, H. (2018). *The impact of taxation on economic growth in South Africa*. Nelson Mandela University. [[Google Scholar]](http://scholar.google.com/scholar_lookup?hl=en&publication_year=2018&author=K.+Dladla&author=H+Khobai&title=The+impact+of+taxation+on+economic+growth+in+South+Africa)

[18] Dutt, A. K. (2010). Keynesian growth theory in the 21st century. In *21st Century Keynesian Economics* (pp. 39-80). Palgrave Macmillan, London.

[19] Eatwell, J. (1983): The long-period theory of unemployment. *Cambridge Journal of Economics* 7, 269-85.

[20] Edame, G. E. & Efefiom, E. C (2013), The Trend Analysis of oil Revenue and Oil Export in Nigeria, *Journal of Business and Management* 10(3) 1-8

[21] Musa, S. J., Success, B.E., & Anaja, B. (2018). Estimating economics growth via value added tax and personal income tax in Nigeria. *Veritas international Journal of Entrepreneurship Development (VIJED). Veritas University Abuja* 1(1) 196-206.

[22] Musa, S. J., Success, B.E., & Ifurueze, M.S.K. (2012). Impact of petroleum profit tax on economic development of Nigeria. *British Journal of Economics, Finance and Management*

[23] Musa, S. J., Success, B.E., & Okeke, M. N. (2017). Relationship between values added tax and economic growth in Nigeria, *Salem University Journal of Management Science, 3* (1) 22 – 29.

[24] Elgrably, N. (2006). “The minimum wage and labor market flexibility,” Economic *Note*, *Montreal Economic Institute*, December.

[25] National Bureau of Statistics (NBS) (2020). National Accounts Data.

[26] National Bureau of Statistics (NBS). (2020). Gross Domestic Product (GDP) Report 2020.

[27] Obi, C. C. (2013). The impact of taxation on economic growth in Nigeria: A time series analysis. Journal of Economic Research, 1(1), 1-12.

[28] Odhiambo, N. M. (2014). The impact of taxation on economic growth in Nigeria: A vector autoregression analysis. Journal of Economic Development, 63, 1-14.

[29] OECD, United Nations OSAA (2010). Economic Diversification in Africa; A Review of Selected Countries, A joint study by the United Nations Office of the Special Adviser on Africa and the NEPAD- OECD Africa Investment Initiative.

[30] Ogbonna I. C. Uwajumogu, N. R. Chijioke G. Agu S.V. (2013) Economic

[31] Solow, R. (1956), “A Contribution to the Theory of Economic Growth”, The Quarterly Journal of Economics, Vol. 70 No. 1, pp. 65-94.

[32] Solow, R. (1957), “Technical Change and the Aggregate Production Function”, the Review of Economics and Statistics, Vol. 39 No. 3, pp. 312-320.

[33] Tanchev, S. (2021). Long-run equilibrium between personal income tax and economic growth in Bulgaria. *Journal of Tax Reform, 7*(1), 55–67.

[34] Todorović, J.D., Đorđević, M., &Krstić, M. (2020). The impact of corporate income tax on gross domestic product- The case of the republic of Serbia. *Economic Themes58* (3), 311-326.

[35] Transparency International (TI) (2020). Corruption Perception Index.

[36] Ude, D. K. & Agodi, J. E. (2014), Investigation of the Impact of Non-Oil Revenue on Economic Growth in Nigeria, *International Journal of Science and Research,* 3(11), 45-58

[37] Uket, E. E., Wasiu, A. A., & Etim, N. E. (2020). Impact of tax revenue on economic development in Nigeria. *International Business Research, 13*(6).

[38] United Nations Conference on Trade and Development (UNCTAD) (2019). World Investment Report.

[39] World Bank (2020). Nigeria Economic Update.

[40] World Bank and PWC (2021). Taxes Report. World Bank Group.

[41] World Bank. (2019). Nigeria Economic Update: No Poverty without Prosperity.

[42] World Bank. (2020). World Development Indicators 2020.

[43] Yahaya, K. A. & Bakere, T. O. (2018). Effect of Petroleum Profit Tax and Companies Income Tax on Economic Growth in Nigeria. *Journal of Public Administration, Finance and Law*, 13, 100-120.

[44] Yinusa, D. O. & Adedokun, A. (2017). Fiscal synchronization or institutional separation: examination of tax-spend hypothesis in Nigeria. *Journal of Finance and Accounting,* 5(3), 80–87.

**Appendix (A)**

**Data Presentation, Analysis and Interpretation:**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Year** | **GDP** | **CIT** | **CUD** | **VAT** | **PPT** |
| 2003 | 13418012.90 | 114.80 | 195.50 | 136.40 | 683.50 |
| 2004 | 17938381.18 | 113.00 | 217.20 | 159.50 | 1183.60 |
| 2005 | 22884896.39 | 140.30 | 232.80 | 178.10 | 1904.90 |
| 2006 | 30063962.40 | 244.90 | 177.70 | 221.60 | 2038.30 |
| 2007 | 34318665.73 | 275.30 | 241.40 | 289.60 | 1600.60 |
| 2008 | 39542427.56 | 420.60 | 281.30 | 401.70 | 2060.90 |
| 2009 | 43012507.43 | 600.60 | 297.50 | 481.40 | 939.40 |
| 2010 | 54612264.18 | 666.10 | 309.20 | 564.89 | 1480.40 |
| 2011 | 62980397.22 | 654.50 | 438.30 | 659.15 | 3070.60 |
| 2012 | 71713935.06 | 820.60 | 429.60 | 710.56 | 3201.30 |
| 2013 | 80092563.38 | 963.50 | 570.90 | 802.68 | 2666.40 |
| 2014 | 89043615.26 | 1173.50 | 646.70 | 802.96 | 2454.00 |
| 2015 | 94144960.45 | 1269.00 | 636.40 | 767.33 | 1290.00 |
| 2016 | 101489492.20 | 933.50 | 750.50 | 828.20 | 1157.80 |
| 2017 | 113719048.23 | 1215.10 | 694.60 | 972.30 | 1520.50 |
| 2018 | 352300000.61 | 1340.30 | 679.50 | 1108.00 | 2467.60 |
| 2019 | 268476400.00 | 1604.70 | 785.90 | 1190.00 | 2114.30 |
| 2020 | 273654100.00 | 1275.40 | 884.80 | 1531.20 | 1517.00 |
| 2021 | 629800000.40 | 1748.00 | 1005.50 | 2072.90 | 2008.50 |
| 2022 | 717130000.90 | 2150.90 | 1262.50 | 2589.60 | 2867.40 |
| 2023 | 717130000.90 | 2150.90 | 1262.50 | 2589.60 | 2867.40 |

Source: CBN, NBS and FIRS bulletins