

# TAXATION AS AN AID TO ECONOMIC GROWTH IN NIGERIA

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## ABSTRACT

**T**his paper examined taxation as an aid to Nigeria economic growth in which the results of the study revealed that, there is as significant relationship between CIT companies income tax, VAT value added tax, PPT petroleum profit tax and gross domestic product (GDP) in Nigeria using time series data from 1995 to 2014. Data were collected from the Central Bank of Nigeria (CBN) Statistical Bulletin, National Bureau of Statistics (NBS) and Federal Inland Revenue Service (FIRS). The study utilized both Descriptive and Simple Regression Models. The regression results also shown that, gross domestic product has relationship with taxation (CIT VAT and PPT). Findings showed CIT, VAT and PPT contributed 1.30%, 1.11% and 5.31% to GDP between 1995 and 2014. From the above assertions, it is evidenced that, PPT has contributed significantly to total output more than CIT and VAT. This paper recommend that government should also consider taxations (CIT, VAT and PPT) reforms in order to help set targets for revenue mobilization and utilization. There should be accountability and transparency from government officials on the management of revenue derived from taxation in Nigeria.

**Keywords:** Taxation, Economic growth, Companies income tax, Value added tax, Petroleum profit tax

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## 1.0 INTRODUCTION

The economic growth of any country depends on the amount of revenue generated for the provision social amenities as well as infrastructural facilities in that given country. However, one means of generating the amount of revenue providing the needed infrastructure is through a well-structured tax system. The tax system is an opportunity for government to collect revenue needed in discharging its pressing obligations. A tax system offers itself as one of the most effective means of mobilizing a nation's internal resources and it tends itself to creating an environment conducive to the promotion of economic growth.

According to Wambai and Hanga (2013) say tax is an instrument the government uses to measure, access and control the informal sector that dominate developing economies of the world.

Olusanya, Peter and Oyebo (2012.) opined that, the taxation may be seen as a threat to individual's proposed standard of living or even business proposed revenue generation, but to the government and the fiscal need for taxation, it is the pillar and facilitator of growth. In national growth, taxation is increasing, and the introduction of new technology has stimulated continuous economic growth and development. The real purpose of taxation is to take purchasing power from tax payers so that tax payers relinquish control over economic resources and make them available to the state. It is a fiscal policy instrument which the government manipulate to achieve macroeconomic objective. This objective could be an

expansionary one directed at reducing the rate of national unemployment, government through tax incentives can stimulate investment as the tax liability on investors is reduced and more money becomes available form investment purposes thus, reducing the level of poverty as more unemployed people becomes gainfully employed, this for sure is a signal for economic growth.

Taxation is a system of imposing a compulsory levy on all income, goods, services and properties of individuals, partnership, trustees, executors and companies by the government (Olatunji, Olaleye & Adesina 2007). Tax is major tools in which government at all levels used to generate income, to redistribute income in a society, and to stimulate growth and development of an economy of a state. In Nigeria, companies income tax, value added tax and petroleum profit tax has accounted for a small proportion of total output over the years. Findings in this study revealed that CIT, VAT and PPT have contributed 1.30%, 1.11% and 5.31% to GDP between 1995 and 2014. From the above picture, it is evidenced that PPT has contributed significantly to total output more than CIT and VAT. (Authors' derivation from CBN Statistical bulletin 2016) see detail in table 1

Economic growth is a sustained increase in per capita national output or net national product over along period of time. It implies that the rate on increase in total output must be greater than the rate of population growth. Another quantification of economic growth is that national output should be composed of such goods and services which satisfy the maximum want of the maximum

number of people. Economic growth can be determined by four important determinants namely, human resources, national resources, capital formation and technological development. Therefore, it has a bearing on the Gross Domestic Product (GDP) which is the standard indicator for measuring the economic wellbeing of a nation. The nature and level of taxes vary according to the economic policies adopted by the government of the day.

### 1.1 Statement of the Problem

The government of Nigeria is facing a lot of challenges as regards national growth. They include such as unequal distribution of resources (revenue), poverty, inflationary pressure, high population growth, low human development, corruption, social injustice, political instability, ethnic-religious crisis, unemployment, lack of basic infrastructure, uncompetitive private sector.

The challenges facing tax revenue in Nigeria also include frontiers of professionalism, poor accountability, lack of awareness of the general public on the imperatives and benefits of taxation, corruption of tax officials, tax avoidance and evasion by taxing units, connivance of taxing officials with taxing population, high rate of tax, poor method of tax collection, etc. These activities are considered as sabotaging the economy and are readily presented as part of the reasons for present state of underdevelopment in Nigeria.

However, several studies have been carried out in the past on this subject. But the review of previous empirical literature revealed lack of consensus in the research findings of past researchers which indicates the existence of a research gap. Olowolaju, Ajibola & Akintoye (2014), examined the taxation as a tool for national development in sub-saharan African: Evidence from Nigeria for period of 2004 -2013. Other research works either focused impact of tax revenue on economic growth in Nigeria or in another country include (Macek (2014) , Stoilova and Patonov (2012), Ogbonna & Appah 2012, Ihenyen & Mieseigha 2014, Edame & Okoi 2014, Ayuba, 2014,).None of research work has dealt on the direct three majors of taxation CIT ,VAT and PPT and Nigeria economic growth for period of 1995-2014. The omissions in the literature, therefore, form a major gap in this study and it is against this background that, this study is conducted empirically to find out the influence of CIT,VAT and PPT has on gross domestic product. The study therefore, seeks to answer following fundamental questions: To what

extent do (CIT) companies income tax has significant relationship with economic growth in Nigeria proxy as GDP? What are the impacts of (VAT) value added tax on economic growth in Nigeria? What is significant relationship between (PPT) petroleum profit tax and economic growth in Nigeria?

### 1.2 Objectives of the Study

The main objective of this study is to identify the extent that taxation has brought about economic growth in Nigeria. Other specific objectives are;

- (i) To examine the relationship between companies income tax and economic growth in Nigeria.
- (ii) To investigate if there is any significant relationship between value added tax and economic growth in Nigeria.
- (iii) To examine the significant relationship between petroleum profit tax and economic growth in Nigeria.

### 1.3 Research hypotheses

The following hypotheses were formulated in the course of this study.

- Ho<sub>1</sub>: Companies income tax has no significant relationship with economic growth in Nigeria
- Ho<sub>2</sub>: Value added tax has no significant relationship with economic growth in Nigeria
- Ho<sub>3</sub>: Petroleum profit tax has no significant relationship with economic growth in Nigeria

## 2.0 LITERATURE REVIEW

### 2.1 Conceptual Review

Taxation is a compulsory levy by the government through its agent on the profits, income, or consumption of its subjects or citizens. It is also viewed as a compulsory contribution made by individuals and organization towards defraying the expenditure of government. According to (Okafor 2012) says a well-designed tax system can help governments in developing countries prioritize their spending, build stable institutions, and improve democratic accountability. The main purpose of a tax is to enable public sector finance its activities so as to achieve some nation's economic and social goals. It can also be for the purpose of redistribution of wealth to ensure social justice (Ayuba, 2014). These are the certain objectives, which the tax system is expected to achieve. These objectives include: to promote fiscal responsibility and accountability; to facilitate

economic growth and development, to provide the government with stable resources for the provision of public goods and services, to address inequalities in income distribution, to provide economic stabilization, to pursue fairness and equity and to correct market failures or imperfections

Taxation offers to be a major source of revenue to government and a mechanism for regulating economic and social policies. Jhingan (2011) recognized that tax is a main source of government revenue and should be accorded strict and close monitoring to achieve maximum compliance. For taxation to be a main source of revenue and equally impact on economic development and achieve the desired results, the tax system ought to be designed on the basis of appropriate set of principles to be seen as fair, equitable, effective and efficient.

Jhingan (2011) says all claims that taxes have beneficial roles to play in allocation, distribution, regulatory and stabilizing functions to correct market imperfection/failure. It can be used as a catalyst to influence economic activities by influencing private sector investment decisions, attracting capital inflows, encouraging and/or prohibiting the production of certain goods and services, as well as contributing to government revenue and enhancing economic growth.

## 2.2 Theoretical Review

The following theories of taxation are discussed in this research work

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

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

**Benefits-received theory:** This assumes an exchange or contractual relationship between the state and the tax-payers, certain goods and services are provided by the state and the cost of such goods and services are contributed in the proportion of the received benefits, thus, the benefits received present the basis for distributing the tax burden in specific manner. This theory overlooks the possible use of the tax policy for bringing about economic growth or stabilization. Chigbu, et.al, (2012) see the cost of service theory as very similar to the benefits-received theory, the theory emphasize on semi commercial relationship between the state and the citizens to a greater extent. The implication according to Chigbu, et.al, (2012), was that, the citizens are not entitled to any benefits from the state and if they do receive any, they must pay the cost thereof. In this theory, the costs of services are scrupulously recovered unlike the benefits-received theory where a balanced budget is implied.

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

## 2.3 Empirical Review

Several studies have investigated the taxation as an instrument of economic growth and development in the country and other part of the countries with diverse techniques. The outcome of the investigations however, shows degree of relatedness in the results. For instance in a study by Wambai and Hanga, (2013) investigated the taxation and social development in Nigeria: tackling Kano's hidden economy. They found that the attitude of the government on taxation need to change and recommends a tax system that concentrate on establishing simplicity, predictability, and neutrality. Chiumia and Simwaka (2012) analysed the effect of taxation in sub-Saharan Africa. They



discovered that, taxes levied on personal and corporate income reduces economic growth. They conclude that, the tax structure is largely irrelevant in less developed economies, but embedded in an effective tax system are benefits for both the taxpayers and the government. Olusanya et al, (2012) investigated the taxation as a fiscal policy instrument for income redistribution among Lagos state civil servants using spearman's rank correlation coefficient. The studied discovered that, there was positive relationship between tax as fiscal policy instrument and income redistribution. In the study on taxation and economic growth of the United State

Adereti, Adesina and Sanni(2011) explored value added tax and economic growth in Nigeria, using time series data for period 1994-2008. They found that , there was no causality existing between GDP and VAT revenue, and positive significant correlation between VAT revenue and GDP.. In a similar study, Worlu and Emeka (2012) examined tax revenue and economic development in Nigeria using the three stage least square estimation technique, this studied discovered that, tax revenue stimulate economic growth through infrastructural development, it highlight the channels through which tax revenue impacts on economic growth in Nigeria and also that, tax revenue has no dependent effect on growth through infrastructural development and foreign direct investment but just allowing the infrastructural development and foreign direct investment to positively respond to increase in output.

Ferede and Dahlby, (2012) tested the impact of the Canadian provincial governments' tax rates on economic growth using panel data covering the period from 1977 to 2006; the studied found that, higher provincial statutory corporate income tax rate is associated with lower private investment and slower economic growth. Nwakanma and Nnamdi, (2013) examined taxation and national development with the least square methodology and specification on the log model of human development index. Their findings reveals that Petroleum Profit Tax, Company Income Tax and Excise Tax respectively exhibit a positive relationship with the level of national development, and a negative relationship between human development index and corporate tax. Dackehag and Hansson (2012) studied how the statutory tax rates on corporate and personal income affect economic growth using panel

data from 1975 to 2010 for 25 rich OECD countries. They discovered negative influence on economic growth from both taxation of corporate and personal income.

In a related study, Olowolaju et al (2014) examined the taxation as a tool for national development in sub- saharan African: Evidence from Nigeria from 2004 -2013. They disclosed that, national development in Nigeria is influence significantly by direct tax and indirect tax and they concluded that, taxation is a vital tool for national development. Macek (2014) investigated the impact of taxation revenue on economic growth in OECD countries, using time series secondary data for the period 2000 – 2011. A mathematical multiple regression model was adopted to capture the linearity correlation between the variables of the study. Tax variables by OECD classification include personal income tax, corporate income tax, social security contribution, property tax, value-added tax and tax on consumption. Similarly, Stoilova and Patonov (2012) examined the impact of taxation on economic growth in European Union countries, using data for the period 1995 - 2010. They conducted comparative cross-country analysis as well as regression analysis. They discovered that, direct tax revenue made more efficient impact on economic growth in EU countries than indirect taxes. Ogbonna and Appah (2012) studied the impact of tax reforms on economic growth in Nigeria, using data collected from the Statistical Bulletin of the Central Bank of Nigeria (CBN) for the period 1994 - 2009. They found that, tax reform variables such as petroleum profit tax, companies' income tax, value-added tax, education tax, personal income tax, and custom and excise duties had significantly positive impact on economic growth in Nigeria.

In a related study, Medee and Nenbee (2011) carried an econometric analysis of the impact of fiscal policy variables on Nigeria's economic growth (1970-2009) using Vector Auto-regression and Error correction mechanism techniques and claimed that tax revenue have effects on the gross domestic product both at the short and long run, meaning that tax revenue positively impact on the economic growth in Nigeria.. Ihenyen and Mieseigha (2014) examined taxation as a financial instrument for economic growth in using data obtained from the Central Bank of Nigeria for the period 1980 – 2013. They used corporate income tax and value-added tax as the



independent variables and proxy for taxation. The results revealed that corporate income tax and value-added tax impacted positively on gross domestic product. They concluded that, taxation is an instrument of economic growth in Nigeria. Edame and Okoi (2014) observed the impact of taxation on investment and economic development in Nigeria, using data covering the period 1980 – 2010. They found that, corporate income tax and personal income tax were negatively related to investment, but positively related to government expenditure. Therefore, they concluded that taxation is an instrument for government expenditure. Ayuba, (2014) investigated the impact of non-oil tax revenue on economic growth in Nigeria, using secondary data collected from the Statistical Bulletin of the CBN from the period 1993 – 2012. His results showed that non-oil tax revenue impacted positively on economic growth in Nigeria Muriithi (2013) examined the relationship between government revenue and economic growth in Kenya. His study concluded that, there was a direct relationship between Income tax and economic growth. His study further concluded that, increase in VAT leads to positive effects on the rate of economic growth.

**3.0 RESEARCH METHOD**

This section discusses the methodological issues of the study. Precisely, this deals with source of data collection, model specification, estimation techniques, as well as data description. Secondary data was used in the study and collected from the Central Bank of Nigeria (CBN) statistical bulletin, National Bureau of Statistics (NBS) and Federal Inland Revenue Service (FIRS) for period of 1995-2014. This study was estimated through the OLS Ordinary Least Square- simple regression. It is imperative because it desires to estimate the relationships that exist between the dependent and independent variables. The statistical test for the measurement of the parameter estimate includes the co-efficient of determination R<sup>2</sup>, the t- test and the f- test. The significance level at which the hypotheses are accepted is 5% (0.05).

**4.0 MODELSPECIFICATION**

The models that are used in the study include the following;

**GDP Model**

This model shows the significant relationship between Gross Domestic Product and Taxation (CIT, VAT and PPT)I n Nigeria. The model is specified of the functional forms::

GDP= f(CIT) -----eq. 1

GDP= f(VAT) ----- eq. 2

GDP= f(PPT) ----- eq. 3

The models that are to be used in the study expressed mathematically of its stochastic form as follow:

GDP= α+ β<sub>1</sub>CIT+e -----eq. 4

GDP= α+ β<sub>1</sub>VAT + e -----eq.5

GDP= α+β<sub>1</sub>PPT + e -----eq.6

Where;

GDP= Gross Domestic Product

CIT= Companies income tax

VAT = Value added tax

PPT = Petroleum profit tax

α = denote intercept coefficient

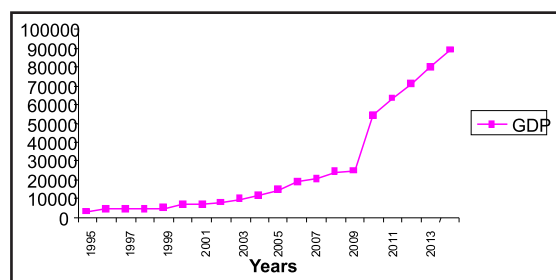
β<sub>1</sub> = Regression Coefficient of variables

e = Error Term

**Graphical Presentation of charts**

This section examine the trend and pattern of gross domestic product, value added tax , company income tax and petroleum profit tax for the period of 1995-2014

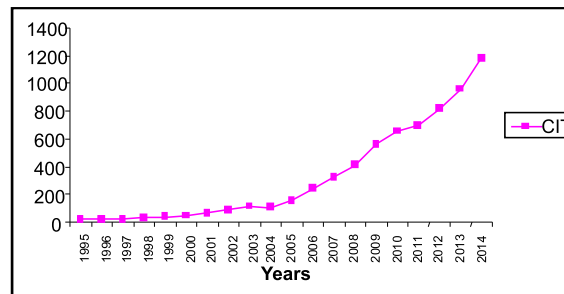
**Figure 1:Trends in Growth of Nigeria GDP 1995-2014**



Source: Author's estimation, 2016

The diagram in Figure 1 above shows that the growth in nominal GDP has been rising steadily. From 2010 the growth pattern moves steadily upwards and also rise sharply

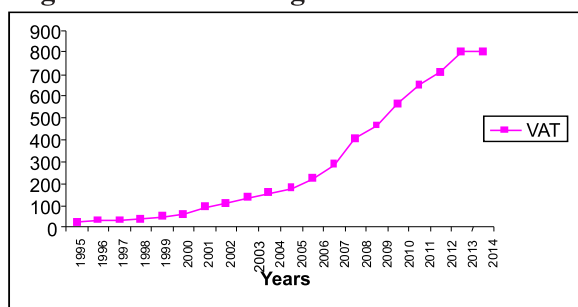
**Figure 2: Trends of Nigeria CIT 1995-2014**



Source: Author's estimation, 2016.

From the graph in Figure 2 above the trends in company income tax has shown that the growth pattern moves steadily upwards.

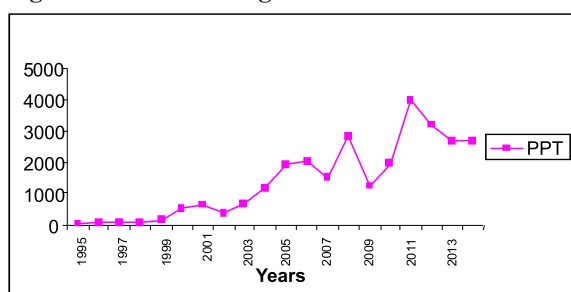
**Figure 3: Trends of Nigeria VAT 1995-2014**



Source: Author's estimation, 2016.

From the graph in Figure 3 above, the trends of value added tax has shown that the growth pattern moves steadily upwards but in 2013 and 2014 are closed to each other

**Figure 3: Trends of Nigeria PPT 1995-2014**



Source: Author's estimation, 2016.

From the graph in Figure 4 above, the trends of petroleum profit tax in Nigeria has shown the fluctuation pattern over the period but the trend keeps moving upwards and downwards sharply till 2011 when the trends rise and also fall in 2013 to 2014 as a result of shortfall in oil price at international market.

**Table 1: Structure of contribution of CIT , VAT and PPT to GDP 1995-2014**

Variables	N'billion	% of Contribution
CIT/GDP	6623.4/523,365.68	1.30%
VAT/GDP	5814.7/523,365.68	1.11%
PPT/ GDP	27,801.9/523,365.68	5.31%

Source: Author's compilation from CBN statistical bulletin (2016)

Table 1 above shows the percentage contribution of companies income tax, value added tax, and petroleum profit tax to gross domestic product was 1.30%, 1.11% and 5.31% respectively. This implies that, the petroleum profit tax has contributed significantly to economic growth more than companies' income tax and value added tax between 1995 and 2014 respectively.

## 5.0 EMPIRICAL RESULT

### Descriptive Statistics

Before estimating the model, we examined the descriptive statistics of the variables. This enable us to unravel the nature of the distribution from which the data emanated.

**Table 2: Summary of Descriptive Statistics of GDP, CIT, VAT and PPT (1995-2014)**

	GDP	CIT	VAT	PPT
Sum	523365.68	6623.40	5814.70	27801.90
Range	86136.28	1158.50	782.30	3933.40
Mean	26168.2840	331.1700	290.7350	1390.0950
Minimum	2907.35	21.90	20.80	42.90
Maximum	89043.63	1180.40	803.10	3976.30
Standard dev.	28403.08667	359.35526	277.57265	1205.98795
Variance	8.067E8	129136.206	77046.577	1454406.934
Skewness	1.239	1.085	0.812	0.574
Kurtosis	0.073	0.055	-0.856	-0.742
Observations	20	20	20	20

Source: Author's compilation Using SPSS Version 20

Table 2 above provides the summary of descriptive statistics of GDP, CIT, VAT and PPT for the study. Given the scope of the study (1995-2014) and the frequency of the annual data, all the variables have 20 observations. As shown in Table 2 above, the sum, range, mean, maximum and minimum, standard deviation and variance as well as the skewness and kurtosis of our variables of interest are evident. The various statistics indicate that the variables have different distributions.

**Table 3: Results of the Estimated of Regression Equations**

<b>Table 3.1: Pooled OLS Regression Result for GDP Model of hypothesis 1</b>									
Variables	PC	Coefficient	t-statistics	f-statistics	R <sup>2</sup>	Adjusted R <sup>2</sup>	f-sig.	P-value	Dw
GDP	1.000	579.389	0.307						
Constant	0.978	0.978	19.704	388.249	0.956	0.953	0.000	0.000	1.147
Dependent Variable: GDP. Independent Variables; CIT									
<b>Table 3.2: Pooled OLS Regression Result for GDP Model of hypothesis 2</b>									
Variables	PC	Coefficient	t-statistics	f-statistics	R <sup>2</sup>	Adjusted R <sup>2</sup>	f-sig.	P-value	Dw
R/GDP	1.000	-2789.228	-1.270						
Constant	0.973	0.973	18.012	324.443	0.947	0.945	0.000	0.000	0.760
Dependent Variable: GDP. Independent Variables; VAT									
<b>Table 3.3: Pooled OLS Regression Result for GDP Model of hypothesis 3</b>									
Variables	PC	Coefficient	t-statistics	f-statistics	R <sup>2</sup>	Adjusted R <sup>2</sup>	f-sig.	P-value	Dw
GDP	1.000	-842.313	-0.147						
Constant	0.825	0.825	6.194	38.367	0.681	0.663	0.000	0.000	0.819
Dependent Variable: GDP. Independent Variables; PPT									

Source: Author's Compilation from SPSS, 2016. Version 20

## 6.0 RESULTS AND DISCUSSION

From the results analyzed in table 3.1 the independent variables CIT was strongly positive perfectly correlated and hence there is linearity in the result with the dependent variable (GDP) constant with 1, company income tax (CIT) at 0.978. The table shown the computation of Analysis of Variance (ANOVA) in the GDP regression model, the f- statistics test computed for CIT showed a figure of 388.249,  $P < 0.05$ . Therefore, null hypothesis is rejected; this implies that, companies' income tax has significant relationship with economic growth in Nigeria proxy as GDP. It was found that, the t-value for CIT is 19.704 and a beta value of 0.978 which is significant at 5%. This signifies that, company income tax was positively and strongly contributed to economic growth. From the estimated GDP model in the table above, it was noticed that approximately 96 percent of country GDP is influenced by changed in companies' income tax given the estimated value of the  $R^2$ . The remaining 4 percent is caused by variables that are not included in the model, which is accounted for by the stochastic error term. With the adjusted  $R^2$  of 0.953, it means that 95.3 per cent is the true value of CIT that constitute the GDP which is high and impressive since the unexplained variation is just 4.7 percent

Durbin Watson (Dw) test with values 1.147 for companies' income tax revealed that there is existence of auto correlation in the model.

The table 3.2 reveals the independent variables of VAT was strongly positive perfectly correlated and hence there is linearity in the result with the dependent variable (GDP) constant with 1, Value added tax (VAT) at 0.973. The table shown the computation of Analysis of Variance (ANOVA) in the GDP regression model, the f- statistics test computed for VAT showed a figure of 324.443,  $p < 0.05$ . Therefore, null hypothesis is rejected; this implies that value added tax has significant relationship with economic growth in Nigeria. It was found that, the value added tax t-value is 18.012 and a beta value of 0.973 which is significant at 5%. This signifies that, value added tax was positively and strongly influence on economic growth as confirmed by  $p < 0.05$ . From the estimated GDP model in the table 3.2, it was noticed that approximately 95 percent of country GDP is influenced by changed in value added tax given the estimated value of the  $R^2$ . The remaining 5 percent is caused by variables that are not included in the

model, which is accounted for by the random error term. Also, with adjusted  $R^2$  of 0.945, it means that 94.5 per cent is the true value of VAT that constitute the GDP which is high and impressive since the unexplained variation is just 5.5 percent.

Durbin Watson (Dw) test with values of 0.760 for value added tax revealed that there is no existence of auto correlation in the model.

The table 3.3 reveals the independent variables of PPT was strongly positive perfectly correlated and hence there is linearity in the result with the dependent variable (GDP) constant with 1, petroleum profit tax (PPT) at 0.825. The table shown the computation of Analysis of Variance (ANOVA) in the GDP regression model, the f- statistics test computed for PPT showed a figure of 38.367,  $p < 0.05$ . Therefore null hypothesis is rejected; this implies that value added tax has significant relationship with economic growth in Nigeria

It was found that, the petroleum profit tax t-value is 6.194 and a beta value of 0.825 which is significant at 5%. This signifies that petroleum profit tax was positively and strongly has impact on economic growth as confirmed by  $p < 0.05$ . From the estimated GDP model in the table above, it was noticed that approximately 68 percent of country GDP is influenced by changed in value added tax given the estimated value of the  $R^2$ . The remaining 32 percent is caused by variables that are not included in the model, which is accounted for by the random error term. Also, with adjusted  $R^2$  of 0.663, it means that 66.3 per cent is the true value of PPT that constitute the GDP which is high and impressive since the unexplained variation is just 33.7 percent.

Durbin Watson (Dw) test with values of 0.819 for petroleum profit tax revealed that there is no existence of auto correlation in the model.

## CONCLUSIONS AND RECOMMENDATIONS

From the findings of this study, it could be concluded that there is a great level of interaction between CIT, VAT and PPT and economic growth in Nigeria. This study has generally revealed that the independent variables has separate a very positive impact on economic growth in Nigeria, especially in its socio-economic contribution since the CIT, VAT and PPT contributed 1.30%, 1.11% and 5.31% to gross domestic product in Nigeria between 1995-2014. This implies that the petroleum profit tax has contributed



significantly to economic growth more than companies income tax and value added tax between 1995 and 2014 respectively.

This could further conclude that, taxation is an integral part of an effective fiscal policy instrument and a major potential catalyst to economic growth. Results obtained in this study confirm that a positive relationship exists between CIT, VAT and PPT and the level of economic growth proxy by GDP. It was recommended that the regulatory authorities charged with the sole responsibility of

collecting tax should further be strengthened to enforce compliance by taxpayers. The tax revenues should be properly distributed so that economic growth can be harnessed; especially in providing basic social amenities as well as infrastructural facilities. There should be accountability and transparency from government officials on the management of revenue derived from taxes and also citizens should be able to benefit from the payment of taxes in Nigeria.

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