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THE EFFECT OF TAXATION REVENUE ON ECONOMIC DEVELOPMENT IN NIGERIA

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Abstract

The study examined the effect of taxation revenue on economic development in Nigeria (1998 to 2018). Specifically, the study investigates the effect of value added tax, company income, custom and excise duties and petroleum profit tax on economic development in Nigeria. Extant literatures were reviewed the expediency theory underpins the study. The study employed the Ex-post facto research design and time series secondary data sourced from Central bank of Nigeria statistical bulletin and National Bureau of Statistics, Federal Inland Revenue Service, World Bank and United Nations Development Program databases. The study employed the Ordinary Least Square regression analysis for data analysis using EViews version 12. The result of the study disclosed that petroleum profit tax has negative and insignificant effect on the economic development in Nigeria and company income tax have negative but significant effect on economic development in Nigeria whereas custom and excise duties and value added tax positively and significantly influence the economic development in Nigeria. Based on findings, the study recommends that the government should embark on the strategic pursuit of widening the economy to improve economic growth and development and that government should provide an enabling environment for business activities for company's income tax could be a veritable complement or even replacement for the PPT, that government should ensure that there is existence of transparent taxation system and revenues from taxes should be judiciously utilized for the betterment of the citizens and again, the government of Nigeria should minimize drastically its over-dependence on oil income and appropriately fall back to other sources of revenue generation prior to discovery of oil in Nigeria. Equally, the study recommends that government should establish measures to effectively apply income generated on infrastructural and economic development and that tax incentive should be reviewed in order to capture the interest of local and foreign investors to improve the growth and development of the economy in Nigeria and that government should ensure that sophisticated facilities are used in monitoring import and export activities and that policy makers in the country should stimulate or bring to existence most desirable tax policies in order to magnify the growth and development of the Nigerian economy and equally minimize the loopholes that occurs in the taxation system as a result of tax avoidance and evasions and formulate adequate tax laws against evaders.

Key Words: Petroleum profit tax, company income tax, custom and excise duties, value added tax, economic development

1.0 Introduction

Taxation is an instrument employed by the government for generating public funds (Anyaduba, 2004). It is a required payment imposed by the government on the income, profit or wealth of individuals, group of persons, and corporate organizations. The primary responsibility of every government all over the world is to ensure security, freedom and welfare of its citizen. For instance, Section 16(1b) of the 2011 Constitution of the Federal Republic of Nigeria states that "the government has the responsibility of ensuring the maximum welfare, freedom and happiness of its citizens" (Federal Government of Nigeria, 2011). To effectively carry out its primary function and other subsidiary functions, governments need adequate funding. Unfortunately, Government responsibilities continue to increase over time especially in developing countries; as a result of growing population of citizens, and technological development. In Nigerian, the government has depended so much on oil revenue for execution of its primary functions and economic development programmes. Presently, there is a general fall in the price of crude oil which has adversely affected the Nigeria economic (Anyaehie and Areji, 2015; Uzonwanne, 2015). To this effect, the former Minister of Finance, Ngozi Okonjo-Iweala and other concerned citizens have called on governments at various levels to look for other means of revenue generation for the sustainable economic development of Nigeria. Kiabel and Nwokah (2009) corroborate this idea by saying that the dwindling revenue and increased cost of running government require all tiers of Nigeria government to look for alternative means of improving their revenue base. It is obvious that the country's revenue from oil can no longer fully support its development objectives.

Kusi (1998) states that many countries of the world depend mainly on taxation for generating required income to meet their financial needs. The tax provides a predictable and stable flow of revenue to finance development objectives (Pfister, 2009). Bird &Zolt (2003) opine that, effective and efficient tax system can assist the government generate enough revenue to take care of its estimated expenditure, meet the needs of the people, and effectively participate in the world economy. The quality of life of people of a state is the focus of any development objectives. Access to education, improved healthcare delivery, employment opportunities, clean air, safe drinking water and security of life and property determine the people's quality of life or standard of living (The World Bank Group, 2004).

Tax revenue mobilization as a source for financing development activities in Nigeria has been a difficult issue primarily because of various forms of resistance, such as evasion, avoidance and corrupt practices attending to it. These activities are considered as sabotaging the economy and are readily presented as reasons for the underdevelopment of the country. (Adegbie et al, 2011). Government exists in order to effectively collect taxes from available economic resources and make use of same to create economic prosperity such that available and willing human and other resources are gainfully employed, infrastructures provided, essential public services (such as the maintenance of law and order) are put in place etc. Tax resistance only makes the development process unattainable.

A lot of literature exists on tax revenue and economic growth of Nigeria (Adereti et al., 2011; Bukie et al., 2013). In these studies, researchers used economic development and economic growth interchangeably. Some researchers estimated the effect of tax revenue on the economic development of Nigeria using Gross Domestic Product (GDP) which is an indicator for economic growth (Success et al., 2012; Worlu & Emeka, 2012). The proponents of expediency theory debates that sometimes low-income earning countries shown evidence of economic growth with little or no economic development initiatives, especially in cases where these countries have functioned mainly as providers of required resources by wealthy industrialized countries. There may be an increase in GDP without any actual improvements in the standard of living of the people, and that culminates in economic growth without development (Tejvan, 2015).

1.1 Statement of the problem

The issue of economic development is that which need serious attention the world over. This is more serious when it comes to the developing nations like Nigeria. Nigeria has since the discovery of oil over relied on it, thereby neglecting other sources through which government generated revenue in the past for economic growth and development. This is a serious problem as Nigeria even after discovering oil has deteriorated instead of growing economically. Worst still is the issue of economic development as Nigeria as a nation has nothing to show for all the oil. There is a general lack of consensus among scholars on the contribution of tax revenue to the economic growth of nations. For instance, whereas Ariyo (1997) in his study on productivity of the Nigerian tax system documented a satisfactory level of productivity of the tax system before the oil boom, Festus and Samuel (2007) established that the role of tax revenue in promoting economic activities and growth is not felt in Nigeria. The two studies reflect that the oil boom has not improved the economic state of the country since before the boom, there was a level satisfactory and after the boom, the growth of economic activities deteriorated. In the light of the study examined the effect of taxation income on the economic development of Nigeria.

1.2 Objectives of the study

The main objective of this study is to ascertain the effect of tax revenue on economic development in Nigeria. The specific objectives are:

i) Examine the effect of petroleum profit tax on economic development in Nigeria.
ii) Determine the effect of company income tax on economic development in Nigeria.
iii) Ascertain the effect of custom and excise duties on economic development in Nigeria.
iv) invvestigate the effect of value added tax on economic development in Nigeria.

2. Literature review

2.1.1 Concept of taxation

Tax is a ratable portion of the produce of the property and labor of the individual citizens, taken by the nation, in the exercise of its sovereign rights, for the support of government, for the administration of the laws, and as the means for continuing in operation the various legitimate functions of the state. The Institute of Chartered Accountants of Nigeria (2014) view tax as an enforced contribution of money, enacted pursuant to legislative authority. If there is no valid statute by which it is imposed; a charge is not tax. Tax is assessed in accordance with some reasonable rule of apportionment on persons or property within tax jurisdiction.

Harelimana (2018) asserts that taxation are all types of involuntary levies, from income to capital gains to estate taxes collected by a levying authority, usually a government. It is a required payment imposed by the government on the income, profit or wealth of individuals, group of persons, and corporate organizations. Piana (2003) opines that it is a result of the application of tax rate to a tax base. Brautigam (2008) stated that a well-structured tax system can help governments in developing countries prioritize their spending, build stable institutions, and improve democratic accountability.

Chigbu and Njoku (2015) debated that income from taxation is intended to generate the required funds for public expenditure, income redistribution, economy stabilization, overcome externalities and as well to influence the allocation of resources, while at the same time should be supportive to the economic development (Stoilova and Patonov, 2012).Therefore, taxes can be used as an instrument for achieving both micro and macroeconomic objectives especially in developing countries such as Nigeria. However, Musgrave and Musgrave (2004) comment that the dwindling level of tax revenue generation in the developing countries makes it difficult to use tax as an instrument of fiscal policy for the achievement of economic development. Some governments like Canada, United States, Netherland, and The United Kingdom have substantially influenced their economic development through tax revenue generated from Company Income Tax, Value Added Tax, and Personal Income Tax, and have prospered through tax revenue (Oluba, 2008). The tax sources are the basic and most reliable sources of government revenue because of their certainty and flexibility characteristics. Sanusi (2010) advocated tax as an instrument of social engineering which can be used to stimulate general or special economic growth. From Onairobi (1994); Taxes are generally either of two types; Direct and Indirect. A direct tax is levied on income or profit while an indirect tax is levied on expenditures. Good examples of Direct Tax include Personal Income Tax, Capital Gain Tax, Profit Tax and Wealth Tax. Examples of Indirect Tax include Excise Taxes, Export Taxes, Import Duties, Expenditure Tax, Sales Tax and Value Added Tax.

In the words of Enegbu et al (2011), the Nigerian tax system has undergone several reforms geared at enhancing tax administration with minimal enforcement cost. The recent reforms include the introduction of TIN, (Taxpayer Identification Number), which became effective since February 2008, automated tax system that facilities tracking of tax positions and issues by individual tax payer, E-payment system which enhances smooth payment procedure and reduces the incidence of tax touts, Enforcement scheme which engages special tax officers in collaboration with other security agencies to ensure strict compliance in payment of taxes. Section 8(q) of FIRS Establishment Act 2007 has led to an improvement in the tax administration in the country, thus, the integrated tax offices and authorities now have autonomy to assess, collect and record tax. Despite this improvement, there are still a number of contentious issues that require urgent attention and among them are appropriate tax authority to administer several taxes, the issue of multiple taxes severally administered by all the three tiers of government which sometimes imposes welfare cost and the issue of the paucity of data base, which contributes to tax avoidance in the country. Unegbu et al (2011) equally added that the issue of corruption is still a perennial issue in the country and this reduces the confidence and trust of the tax payers in discharging his civic duty. The issue of infrastructural development is also a crucial issue, in Nigeria; the level of infrastructural facilities is in a deplorable state, most of the facilities (electricity, water, etc) are often privately sourced, thus a number of people wonder what the tax collected are used for and tendency to evade tax payment.

2.1.2 Petroleum profit tax

The Petroleum Profit Tax Act (PPTA) is the tax law that is saddled with the responsibility to the regulate and govern the taxation income of oil companies engaged in petroleum operations (Adedeji and Oboh, 2012). The Act defines petroleum operations as "the winning or obtaining and transportation of petroleum or chargeable oil in Nigeria by or on behalf of a company for its own account by any drilling, mining, extracting or other like operations or process, not including refining at a refinery, in the course of a business carried by the company engaged in such operations, and all operations incidental there to and sale of or any disposal of chargeable oil by or on behalf of the company". The definition is applicable to the upstream sector of the petroleum industry; hence, only companies in the upstream sector are charged with petroleum profit tax (PPT). The taxation revenue from petroleum profits is of great relevance because it contributes, significantly to the total tax revenue at the disposal of the Nigerian government.

2.1.3 Companies income tax

Companies Income Tax Act, 1990 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 et al., 2011). Ola (2006) debated that companies income tax administration in Nigeria does not measure up to satisfactory standards. If good old tests of certainty, convenience equity, and administrative efficiency are applied, the score of Nigeria will be low in into account the following factors: lack of adequate monitoring, tax evasion by individuals that are self-employed and firm that are not quoted. Festus and Samuel (2007) in their investigation on company income tax and the Nigerian economy draw a conclusion that Company income tax remains a major means of revenue generation in Nigeria but however, lack of compliance with taxation laws and regulations by tax payers is deep in the due to poor control. There is the need for a general tax reform in the Nigerian company income tax system.

2.1.4 Custom and excise duties:

The oldest form of modern taxation revenue in Nigeria is the customs duties are the oldest form which its introduction can be traced back to the 1860 also called import duties. Import duties are taxes imposed on the importation of goods into the country, levied either as a percentage of the import value or as a fixed amount of contingent on quantity (Buba, 2007). Buyonge (2008) stated clearly that customs duty is a major platform for revenue generation to the Government of the federation which is payable by importers of certain goods. Ogbonna (2021) in his work clearly disclosed that the customs and excise duties influence economic development of Nigeria. He further noted that custom duties a means of generating revenue and that government should embark on a complete administrative machinery of taxation to help minimize the incidence of tax avoidance and evasion to the lowest level in order to enhance the efficiency of taxation and bring more people and establishments into the tax net. On the other hand, fraud, irregularities and financial malpractices project a negative influence on the contribution of customs and excise to the development Nigerian economy.

2.1.5 Value Added Tax (VAT)

Value Added Tax is a type of indirect tax that is employed at every stage of consumption to the value added. Value added tax is a consumption tax levied at each stage of the consumption chain and borne by the final consumer of the product or service (Akhor and Ekundayo, 2016). AbomayeNimenibo et al (2018) suggested that value added tax is collected by the seller when taxable items are sold. The seller then nets off the VAT and submits it to FIRS through a designated bank. Value added tax is an estimated market value added to a product or service at each stage of its manufacture or distribution and the additions are added to value of goods and services that bear the tax burden or the incidence because they cannot recover the tax paid on consumption of goods and services. It was introduced by The Federal Government of Nigeria in January, 1993 and requires a taxable person to register with the Federal Inland Revenue Service to charge and collect VAT at a flat rate of 5%. Okatch et al (2013) examined the determinants of income inequality in Botswana. Their study findings strongly affirmed that value added tax contributes largely and significantly to income inequality. Fu (2016) who investigated indirect tax increments on income gap between urban and rural areas in China using the analysis of Thayer Index from 1994 to 2013 discovered that value added tax had a negative influence on income gap. Further, stated that indirect tax, especially value added tax decreased income distribution in general.

2.1.6 Economic Development and Human Development Index (HDI)

Economic development is a policy intervention effort targeted at the economic and social well-being of people (Salmon Valley Business Innovation Centre, 2014). Its concern is on improvement in the quality of life of people, introduction of new goods and services using modern technology, mitigation of risk and dynamics of innovation and entrepreneurship (Hadjimichael *et al.*, 2014). The objective of economic development is to create an enabling environment for local communities and regions to develop new ways of production of goods in such quantities that may lead to exportation to other countries. Availability of financial resources from exportation leads to more investment in infrastructure for the benefit of the society and improvement in living conditions of the people, in education, transportation networks, health conditions, water supply, sewage and sanitation conditions (SVBIC, 2014).

Human Development Index measures long-term progress in three basic areas of human development namely: access to safe and healthy life, access to education, and a decent living standard (United Nations Development Programme (UNDP), 2014). Human Development Index (HDI) is a move towards a more holistic view of development *which* had previously focused more on per capita income. United Nation's Human Development released Human Development Index (HDI) first as part of her 1990 Report. The report stated that "development is much more than just the expansion of income and wealth; it should be a process of enlarging people's choices" (UNDP, 1990). The United Nations developed Human Development Index (HDI) as a measuring tool that ranks countries' levels of social and economic development based on three criteria: Health Index, Education Index, and Standard of Living Index.

2.2 Theoretical framework.

2.2.1 The ability-to-pay approach: is concerned with the equitable distribution of taxes according to assumed taxable capacity or ability to pay of an individual or group. This approach, sometimes called horizontal equity, enables the distribution and stabilization of objectives of taxation to be achieved more equitably. We know that taxes are a means of transferring the purchasing power of income to governments; the ability to pay is based on income. It then means that those who have more income can afford to pay more taxes. Although this theory has the above-stated advantages, it is not free from flaws. Its disadvantage is that the criterion on which "ability" is judged is not clear (Anyanfo, 1996; Bhartia, 2009; Ogbonna & Ebimobowei, 2012; Chigbu *et al.*, 2012).

2.2.2 Expediency theory:

This theory asserts that every tax proposal must pass the test of practicality. It must be the only consideration weighing with the authorities in choosing a tax proposal. Economic and social objectives of the state and the effects of a tax system should be treated irrelevant (Bhartia,2009). Anyafo, 1996; Bhartia, 2009) explained that the expediency theory is based on a link between tax liability and state activities. It assumes that the state should charge the members of the society for the services provided by it. This reasoning justifies imposition of taxes for financing state activities by inferences, provides a basis, for apportioning the tax burden between members of society. This proposition has a truth in it, since it is useless to have a tax which cannot be levied and collected efficiently. There are pressures from economic, social and political groups. Every group tries to protect and promote its own interests and authorities are often forced to reshape tax structure to accommodate these pressures. In addition, the administrative set up may not be efficient to collect the tax at a reasonable cost of collection. Tax revenue provides a powerful set of policy tools to the authorities and should be effectively used for remedying economic and social ills of the society such as income inequalities, regional disparities, unemployment, and cyclical fluctuations and so on. Consequently, the system of taxation should not be structured to serve individual members of the society, but should be used to cure the ills of society as a whole. This theory relates to a normal development process and represents a benchmark against which country specific empirical evidence may be compared. This study therefore, centers on the theory of expediency which enables us to assess the extent to which the Nigerian tax system conforms to this scenario where the link between tax liability and economic activities are linked.

2.3 Empirical review

Harvest & Ataisi (2022) examined the effect of value added tax on economic growth in Nigeria (2000-2020). The study ex-post facto research design adopted for the study and used time series secondary data obtained from central bank of Nigeria and World Bank statistical bulletin for the period covered. The study employed Ordinary Least Square Regression statistical tool for data analysis applying E-view version 10. From the study results, it was discovered that value added tax (VAT) had a negative but significant effect on economic growth (measured by National Gross Product and Real Gross Domestic Product). In general, the study concluded that, the relationship between value added tax and the growth of Nigerian economy is negative but significant.

Ogbonna (2021) examined taxation and economic growth in Nigeria. The study specifically investigates the effect of custom and excise duty and petroleum profits tax on the economic growth of Nigeria. The ex-post facto research design was employed for the study and secondary data obtained from CBN statistical bulletin and annual Reports for a period of 10 years (2009-2018). The study used multiple Regressions for data analysis. Findings from the study revealed that custom and excise duty and petroleum profits tax both have a significant effect on economic growth. The study therefore, suggested that taxation is a powerful socio-political and economic mechanism for the development of the economy.

Abdulmalik, et al (2021) examined the effect of taxation on economic growth in Kenya (2011-2020). Specifically, the study investigates the effect of income tax, VAT, import duty and Excise duty on economic growth in Kenya. The study was anchored on the benefit theory, endogenous growth theory and theory of diffusion of tax incidence. The quantitative research design was adopted for the study and national government of Kenya used as the population of the study for a period of 2011 to 2020. The study employed Time series ARIMA regression model to analyze data with the application STATA and SPSS. The study findings indicated that increase in income tax, VAT and excise duty results to increase in economic growth that is income tax, VAT and excise duty positively and significantly affect the economic growth of Kenya while an increase in import duty leads to a reduction of economic growth of Kenya that is, there is a negative significant relationship between import duty and Kenya economic growth.

Amughoro (2021) evaluated the effect of taxation on economic growth Nigeria (1981-2019). The study specific objectives include: to ascertain the effect of personal income tax, company income tax, and value added tax on the Nigerian economic growth. The study is anchored on the taxation theory of expediency. The ex-post - facto research design was employed for the study. This study used secondary generated from Central Bank of Nigeria Statistical Bulletin and National Bureau of Statistics for the period covered. The study adopted the Ordinary Least Square (OLS), Co-Integration and Granger Causality test statistical tools for data analysis. The study findings revealed that there is a negative and significant correlation between personal income tax, company income tax and value added tax and the growth of the Nigerian economy.

Uche and Ugonabo (2021) evaluated the effect of Value Added Tax on Economic Development in Nigeria (1994 -2018). The study employed Ex-post-facto research design and time series secondary data were obtained from CBN statistical bulletin, FIRS and JTB bulletin. The adopted the Pearson coefficient of correlation and simple regression statistical tool to test the hypotheses stated using E-Views version 9.0 statistical software. The study results revealed that Value Added Tax has a positive and significant effect on the economic development (measured by GDP and Total Government Revenue).

Jimoh, Adegoriola and Adeyemo (2020) examined the impact of tax revenue on economic growth in Nigeria between 1990 to 2016. The study used time series secondary data obtained from Federal Ministry of Finance, Federal Inland Revenue Service, Central Bank of Nigeria and National Bureau of Statistics. The study findings disclosed that, petroleum profit tax, company income tax and value added tax have positively and significantly influence economic growth in Nigeria (proxy by GDP).

Ali, Ali & Mohamed (2018) investigates the effect of tax revenue and economic growth of Kenya (1980- 2007). The study employed expost-facto research design and time-series secondary data were obtained from the Central Bank of Kenya (CBN) Statistical Statement, Federal Inland Revenue Service (FIRS) and previous studies of other scholars. The study employed the ordinary least square statistical tool to analyze data collected. The study findings disclosed that taxation income positively and significantly affect the economic growth of Kenya.

Okpe, Duru and Ezeoma (2017) investigated the effect of tax revenue on economic growth in Nigeria. Specifically, the study evaluates the effect of petroleum profit tax, of company income tax and of customs and excise duties on the economic growth of Nigeria. The study employed the ex-post facto research design. The study applied secondary data obtained from Central Bank of Nigeria Statistical bulletin and vital publications of government. The study employed Ordinary Least Square Regressions to analyze the data. The results of the study confirmed that petroleum profit, company income tax and customs and excise duties have insignificant effects on the economic growth of Nigeria proxy by GDP.

Ofoegbu, Akwu and Oliver (2016) researched the effect of tax revenue on the economic development of Nigerian. Equally, the study determines whether there is any difference with the use HDI and GDP in the establishment of the relationship. The study employed time series secondary data between 2005 to 2014 to establish a linear model of

Commented [MR1]:

tax revenue and human development employing ordinary least square (OLS) regression technique. The study results disclosed that there is existence of a positive and significantly relationship between taxation income and economic development whereas the ascertainment of the effect of taxation income on economic development using HDI disclose lower relationship than the measurement of the relationship with GDP hence suggesting that the use of GDP gives a painted image of the relationship between taxation income and economic development in Nigeria. In conclusion, the study submitted that taxation income can be a catalyst for economic development in Nigeria.

Chibu and Njoku (2015) examined the impact of taxation on the growth of Nigerian economy (1994 -2012). Specifically, the study investigates: the effect of custom and excise duties, company income tax, and petroleum profit tax on the economic growth in Nigeria (proxy by the dependent Variables (Gross Domestic Product and Unemployment). The study findings found that custom and excise duties, company income tax, and petroleum profit tax have a positive and significant effect on the on economic growth in Nigeria (measured by GDP and Unemployment).

Ofishe (2015) researched the impact of Value Added Tax (VAT) on economic growth (GDP) in Nigeria (1994 – 2012). The study used expost-facto research design and secondary data obtained from CBN statistical bulletin, Federal Inland Revenue Service (FIRS) publications. The study adopted the Ordinary Least Square techniques to analyze the data The study findings found that VAT positively and significantly influence the Nigerian economic growth (measured by GDP) and that VAT has a positive impact on total tax revenue. Onwuchekwa and Aruwa (2014) investigated the impact of value added tax on economic growth of Nigeria. The study used ordinary least square technique to test the hypothesis of the research with data spanning the period 1994-2011. The result revealed that VAT contributes significantly to the total tax revenue of government and by extension, to economic growth of Nigeria. It further showed that VAT revenue had consistently increased but it is not that explosive.

3. Methodology

The ex-post facto research design was used for the study. This design is considered appropriate because the secondary sources of data were employed in the analysis. The study employed time series secondary data obtained the Central bank of Nigeria, statistical bulletin and National Bureau of Statistics, Federal Inland Revenue Service, World Bank and United Nations Development Program (UNDP) databases. The study applied the following tests: normality test, heteroskedasticity test and serial correlation test. These tests were performed to ascertain the fitness of the data set adopted for the study. The study employed multiple linear regression for data analysis after conducting the diagnostic test. However, if the P-value is less than 0.05, the study rejects the null hypothesis.

Model Specification

The model adopted by the study is Human Development Index (HDI) as a function of tax revenue, HDI = f (tax revenue)

$HDI = \beta_0 + \beta_1 PPT + \beta_2\ CIT + \beta_3\ CED + \beta_4\ VAT + + Ui$

Where;

β_0 = The intercept or autonomous parameter estimate
$\beta_1 - \beta_4$ are the slope of the coefficient of the independent variables to be determined
HDI = Human development index
PPT = Petroleum profit tax
CIT = Company income tax
CED = Custom and excise duties
VAT = Value added tax
Ui = error term (stochastic term)

4. Results and discussion

Table 4.1: Descriptive statistics

VARIABLES	HDI	PPT	CIT	CED	VAT
Mean	0.496917	1380.386	502.7065	283.8967	398.7183
Median	0.502000	1273.230	289.5500	237.1000	272.6500
Maximum	0.520000	3201.320	1408.430	576.0000	1108.040
Minimum	0.466000	42.8600	21.90000	37.36000	20.76000
Std. Dev.	0.019737	1032.880	0500.660	184.3008	351.2340
Jarque-Bera	2.959936	1.632114	2.916796	2.039543	2.367312
Probability	0.227645	0.442172	0.232609	0.360677	0.306157
Observations	24	24	24	24	24

Source: Eviews12

The above table presents the description of the data that is used for this study. Parameters used to describe the data are mean, median, maximum, minimum, standard deviation and Jarque-Bera statistic, to test the normality of the distribution.

The information on the table shows that HDI averaged 0.49% in the period under review (1995-2018). The maximum rate of human development index within this period was 0.52%, with a standard deviation of 0.019%. For petroleum profit tax, the average revenue realized for the period is about ₦1, 380.386 Billion. The maximum for the period is ₦3,201.320Billion and the minimum is ₦42.86Billion. The average company income tax within the period was ₦502.7065Billion, with all time high (within the period) of ₦1,408.430Billion and all time low (within the period) of about ₦21.9Billion.

The average custom and excise duty within the period under review was ₦283.8967Billion, with minimum of

₦37.36Billion. The table also shows that the highest custom and excise duty Nigeria realized within the period was about ₦576.0Billion. Also, the average amount of value added tax realized within the period was ₦398.7183Billion, with a maximum amount of ₦1,108.04Billion, minimum realized amount of ₦20.76Billion.

Furthermore, all the variables (Human development index (HDI), Petroleum profit tax (PPT), custom and excise duties (CED), company income tax (CIT) and Value added tax (VAT),had probabilities of the Jarque-B45era test of normality greater than 10% alpha level, meaning that the null hypothesis of normality test that the data is not normally distributed is upheld.

Table 4.2: Correlation analysis

	HDI	**PPT**	**CIT**	**CED**	**VAT**
HDI	1.000000				
Prob.	---				
PPT	0.795	1.000000			
Prob.	0.0000	---			
CIT	0.814	0.611063	1.000000		
Prob.	0.0000	0.0015	---		
CED	0.9002	0.721819	0.966437	1.000000	
Prob.	0.0000	0.0001	0.0000	---	
VAT	0.8551	0.711841	0.976025	0.970111	1.000000
Prob.	0.0000	0.0001	0.0000	0.0000	---

Source: E views 12

The result above disclosed that human development index is positively related with petroleum profit tax (0.795%), with company income tax (0.81%), custom and excise duty (0.90%) and value added tax (0.86%). Equally, petroleum profit tax was positively associated with company income tax, custom excise duty and value added tax, with 0.61%, 0.72% and 0.71%, respectively. Furthermore, company income tax has a positive association with custom excise duties and value added tax, 097% and 0.97%, respectively, whereas custom and excise duties directly related with value added tax, with a correlation of 0.97%. The direct or positive relationships in the above correlation matrix signifies that the variables have a direct relationship with each other. This indicates that an increase in one variable results to an increase of the other. All the correlation matrices had a probability value greater than 0.01 level of significance, demonstrating that the relationship between the variables are statistically significant.

Table 4.3: Presentation and analysis of econometric results of the influence of petroleum profit tax, company income tax, custom and excise duties, value

Added tax on Nigeria's economic development.

Variables	Coefficient	Std. error	t-statistic	Prob.
C	0.254344	0.062044	4.099383	0.0007
LPPT	-0.000151	0.001582	-0.095472	0.9251
LCIT	-0.016308	0.006874	-2.372377	0.0292
LCED	0.011811	0.004961	2.380935	0.0292
LVAT	0.022526	0.010108	2.228493	0.0396
R-square	0.971235			
Adjusted R-squared	0.962775			
F-statistic	114.7990			
Prob. (F-statistic)	0.000000			
Durbin-Watson stat	2.297345			

Source Eviews 12

The table above shows the summary of the regression model, estimating the influence of variables such as petroleum profit tax, company income tax, custom excise duties and value added tax for the period of 1995 to 2018 on economic development, using human development index. The model showed a negative relationship between petroleum profit tax and economic development as well as company income tax and economic development. On the other hand, the model showed positive relationship between custom excise duties, as well as value added tax and economic development. Specifically, the relationship between petroleum profit tax (LPPT) and economic development (HDI) had a coefficient of -0.000151. This indicates an indirect influence, meaning that as petroleum profit tax went up in the period under review, economic development consequently went decreased. From the result, 1% increase in petroleum profit tax, led to a consequent 0.000151% decrease in economic development in the country. This contradicts apriori expectation that increased petroleum profit tax will lead to consequent increased economic development. The probability was 0.9251, meaning that this relationship between petroleum profit tax and economic development was not significant. Thus, petroleum profit tax is not a strong determinant of economic development.

The result of the analysis showed also revealed a negative relationship between company income tax (LCIT) and economic development in the period under review. This also represents an indirect association between the variables, implying that as company income tax increased, there was a decrease in economic development. Specifically, when company income tax rose by 1%, human development index, which is the measure for economic development decreased marginally by 0.016308%. This result also contradicts apriori expectation that increased company income tax will lead to an associated increased economic development. The probability value of this relationship was 0.0292. This value is less than 0.5, which means that this relationship is significant at 5% alpha level and thus, critical. Therefore, in the period under review, company income tax had critical impact of economic development.

Furthermore, the estimated model revealed a positive relationship between custom excise duties (LCED) and economic development, with a coefficient of 0.011811. This means that when custom excise duties generated increased, economic development, using human development index as an indicator, consequently increased. Specially, the result showed that 1% increment in the amount of custom excise duties generated, led to about 0.012% increase in human development index. Furthermore, this relationship was statistically significant, in the probability value of 0.0292, is less than 0.05, implying that the impact of custom excise duties on economic development is critical. Finally, the estimated model revealed that value added tax (LVAT) had a positive relationship with economic development, with a coefficient of 0.022526. This means that an increase in the amount of value added tax generated in Nigeria between 1995 to 2018, led to a consequent increase economic development. Specifically, the result revealed that 1% in value added tax led to about 0.023% increase in the economic development. This, result was buttressed by the probability value of 0.0396, which is less than 0.05, indicating that the impact of value added tax on economic development is significant. On the overall fitness of the model, the R-squared value of 0.971235 indicates that the model has a high explanatory power (97%). The adjusted R-squared value of 0.962775 implies that 96.3% of the variations in dependent variable (economic development) was correctly explained by the fitted independent variables. This means that 96.3% of the variations in human development index between 1995 and 2018 was successfully influenced by petroleum profit tax, company income tax, custom excise duties and value added tax. The remaining 3.7% may be due to shocks or variables not captured in the model. Also, the model gave F-statistic of 114.7990, with probability value of 0.000000. This probability value, which is less than 0.01 indicates that the F-statistic is significant, implying that the estimated model is significant in explaining the variations in the dependent variable. Finally, the model gave a Durbin-Watson value of 2.297345, meaning that the model is free from autocorrelation.

Normality test

This test was achieved using the Jarque-Bera Histogram normality test (see appendix). To interpret the test result, two vital parameters were considered. The first is the Jarque-Bera statistic and the second is the probability of the Jarque-Bera statistic. From the result above, the Jarque-Bera statistic is 0.746321, with P-value of 0.688555, which is greater than 0.05. This implies that the residual of the model is normally distributed.

Test for serial correlation

This was achieved using the Breusch-Godfrey serial correlation LM test (see the appendix). Here, we take into consideration the observed R-Squared, which gave a value of 2.720373, and the corresponding P-value of 0.2566. This probability estimate is greater than 0.05. Thus, we accept the null hypothesis and conclude that the model is free from serial correlation.

Heteroskedasticity test

This measures the level of unequal variability of data set with time. The test was achieved using the Breusch-Pagan-Godfrey Heteroskedasticity test (see appendix). From the result, the observed R-squared statistic is 14.40466, with a corresponding p-value of 0.0132. This p-value, which is less than 0.05

implies that the model is not free from Heteroskedasticity. This means that the variables used in the model will tend to fan out (disperse) over time.

4.4 Test of hypotheses

Hypothesis one

HO1: Petroleum profit tax has np significant effect on economic development in Nigeria.

HI1: Petroleum profit tax has a significant effect on economic development in Nigeria.

The study first objective was to assess the effect of petroleum profit tax on economic development in Nigeria. From findings in table 4.3a, the model shows that debt to asset is positive and significant in explaining stock returns, with a coefficient of -0.000151 and p= 0.925 which is greater than 0.05 at 5% level of significance. This suggests that petroleum profit tax insignificantly decreases economic development 0.0151% per annum. Hence, we accept the null hypothesis and conclude that petroleum profit tax has no significant effect on economic development in Nigeria.

Hypothesis two

Ho2: Company income tax does not significantly affect the economic development in Nigeria.

Ho2: Company income tax does not significantly affect the economic development in Nigeria.

The second objective of the study examined the effect of company income tax on the economic development in Nigeria. From findings, the regression model shows that company income tax is negative and significant in explaining economic development, with a coefficient of -0.016308 [p=0.0292] which is less than 0.05 at 5% level of significance. Hence, we reject the null hypothesis in favour of the alternative hypothesis and conclude that company income tax significantly affects the economic development in Nigeria.

Hypothesis three

Ho3: custom and excise duties do not significantly affect the economic development in Nigeria.

Ho3: custom and excise duties do significantly affect the economic development in Nigeria

The third objective of the study was to assess the effect of custom and excise duties on economic development in Nigeria. The study results revealed that custom and excise duties is positive and significant in explaining economic development, with a coefficient of 0.011811 [p=0.0292] which is less than 0.05 at 5% level of significance. This suggests short-term leverage significantly increases economic development by about 1.2 percent annually. This also led to the rejection of the null hypothesis and thus, concludes that custom excise and duties had significant influence on the economic development in Nigeria.

Hypothesis four

Ho4: Value added tax does not have significant influence on economic development in Nigeria.

Ho4: Value added tax does not have significant influence on economic development in Nigeria.

The fourth objective of the study was to assess the effect value added tax on the economic development in Nigeria. From the study findings, it was discovered that value added tax is positive and significant in explaining economic development, with a coefficient of 0.022526 [p=0.0396] which is less than 0.05 at 5% level of significance. This suggests value added tax significantly increases economic development by about 2.3 percent annually. Hence, we reject the null hypothesis and accept the alternative hypothesis and conclude that value added tax significantly affect the economic development in Nigeria.

4.5 Discussion of findings

From the study results, it was discovered that petroleum profit tax negatively and insignificantly affects the economic development of Nigeria. This is view is in conformity with the assertion of Okpe et.al (2017) that confirmed that petroleum profit has insignificant effects on the economic growth of Nigeria proxy by GDP. The study finding contradicts the notion of Chibu and Njoku (2015) that found that petroleum profit tax have a positive and significant effect on the dependent on economic growth in Nigeria Jimoh, Adegoriola and Adeyemo (2020) revealed that petroleum profit tax, company income tax and value added tax have positively and significantly influence economic growth in Nigeria (proxy by GDP). This is contrary to apriori expectation that increased tax revenue will lead to consequent increased economic development. This could be due to increased inflation rate and the alarming insecurity, which may play down developmental efforts.

From the test of hypotheses, the findings of the study found that company income tax also has negative but significant effect on economic development in Nigeria. This negative influence, indicates that an increase in company income tax leads to a decrease in economic development. This is in agreement with views of Amughoro (2021) who reveals that company income tax negatively and significantly influence the growth of the Nigerian economy. This finding disagreed with that of Jimoh, et al (2020) that disclosed that company income tax has positively and significantly influence economic growth in Nigeria (proxy by GDP).

Third, From the results, the study confirmed that there is existence of positive and significant

relationship between custom excise duties and economic development. This signifies that an increase in revenue from custom excise duties also increases the economic development positively. The result gives credence to the fact that increment in the generated tax revenue supplied into the economy of Nigeria critically influences growth of the economy. This confirmation is consistent with the submission of Ogbonna (2021) whose findings revealed that custom and excise duties significantly affect the economic growth and Abdulmalik, et al (2021) whose studies found that an increase excise duty results to increase in economic growth. Similarly, the study finding aligns with apriori expectation and it supersedes the contrary finding of Adegbei (2017), who discovered that customs and excise duties has negative impact on economic growth in Nigeria as a result of corruption, fraud and malpractices.

Finally, From the test of hypothesis, the study shown that the relationship between value added tax and economic development is positive and significant. This implies that as value added tax increases, economic development also increases. This is similar to the views of Uche and Ugonabo (2021) that revealed that Value Added Tax has a positive and significant effect on the economic development (measured by GDP and Total Government Revenue). Equally, the results of Afishe (2015) and Onwuchekwa and Aruwa (2014) were similar to this submission. However, the study findings of Harvest and Ataisi (2022) and Yadawananda and Achal (2020) contradicts this view as they discovered that value added tax (VAT) had a negative but significant effect on economic growth

5. Concluding remarks and recommendations

The study concludes that taxation income if properly harnessed and utilized will leads to increase in economic growth and development in Nigeria. In essence, taxation can be seen conclusively as a source of revenue generation that can bring about economic growth and development in Nigeria and this comprises, especially of custom and excise duties and value added tax. The results of government giving adequate attention to these sources of non-oil revenue at a long run will be sustainable to economic development as human development index (HDI) and population of the country Nigeria will be moving towards the same direction.

On the basis of study findings, it was recommended that:

The study recommended that as a result of dwindling fortunes of income from petroleum related sources, of recent, and the seeming bleak future of oil worldwide, the government should embark on the strategic pursuit of widening the economy to improve economic growth and development and that government should provide an enabling environment for business activities for company's income tax could be a veritable complement or even replacement for the PPT.

Again, the study equally recommends that government should establish measures to effectively apply income generated on infrastructural and economic development and that tax incentive should be reviewed in order to capture the interest of local and foreign investors to improve the growth and development of the economy in Nigeria., company income tax administration needs to be reviewed. Electronic system of payment should be encouraged. Self-assessment should equally be encouraged. Tax education should be carried out to enlighten the tax payers on the need to pay tax regularly. The government should also be accountable and transparent in the use of revenue collected from tax payers.

Government should ensure that sophisticated facilities are used in monitoring import and export activities and that policy makers in the country should stimulate or bring to existence most desirable tax policies in order to magnify the growth and development of the Nigerian economy and equally minimize the loopholes that occurs in the taxation system as a result of tax avoidance and evasions and formulate adequate tax laws against evaders.

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Appendix 1

Data used for the study

YEAR	**HDI**	**PPT** N'Billion	**CIT** N'Billion	**CED** N'Billion	**VAT** N'Billion
1995	0.466	42.86	21.9	37.36	20.76
1996	0.466	76.67	23.1	55	32.5
1997	0.466	68.57	27.8	63	35.3
1998	0.466	68.00	33.3	57.7	37.6
1999	0.466	164.30	46.2	87.9	47.8
2000	0.466	525.10	53.3	101.5	58
2001	0.492	639.20	69.4	170.6	91.7
2002	0.493	392.20	89.1	181.41	108.6
2003	0.498	683.50	114.8	195.5	136.4
2004	0.5	1,183.50	130.8	217.2	163.3
2005	0.5	1,904.90	170.2	232.8	192.7
2006	0.502	2,038.30	246.7	177.7	232.7
2007	0.502	1,500.60	332.4	241.4	312.6

2008	0.504	2,812.30	420.6	281.3	401.7
2009	0.504	1,256.50	600.6	297.5	481.4
2010	0.511	1,944.70	666.1	309.2	564.89
2011	0.512	3,070.59	715.4	438.3	659.15
2012	0.513	3,201.32	846.6	474.9	710.6
2013	0.514	2,666.37	998.4	433	802.7
2014	0.514	2,453.95	1,204.80	566	803
2015	0.516	1,289.96	1,408.43	546	767.3
2016	0.517	1,157.81	1203.88	515	828.2
2017	0.518	1,520.48	1,314.65	557.25	972.3
2018	0.52	2,467.58	1,326.50	576	1108.04

Source: CBN Statistical bulletin, National Bureau of Statistics, Federal Inland Revenue Service, UNDP.