# CHAPTER ONE

**INTRODUCTION**

 **1.1 Background to the Study**

 Tax revenue is a veritable source of government revenue. However, it is still debatable in the literature what should be the optimal tax revenue to be imposed to enhance development without unjustly inflicting welfare cost. Economic theories of taxation approach the question of how to minimize the loss of economic welfare through taxation and also discuss how a nation can perform redistribution of wealth in the most efficient manner. Taxation according to Emekekwue (2009) is the collection of a share of individual and organization income and wealth by the government under the authority of the law. The Nigerian tax System has undergone significant changes in recent times. The Tax Laws are being reviewed with the aim of repelling obsolete provisions and simplifying the main ones. Under current Nigerian law, tax revenue is enforced by the 3 tiers of Government, which are Federal, State, and Local Government with each having its sphere clearly spelt out in the Taxes and Levies Act, 1998.

The whole essence of tax revenue is to generate revenue to advance the welfare of the people of a nation with focus on promoting economic growth and development of a country through the provision of basic amenities for improved public services via proper administrative system, and structures (Aboyade, 2010). Taxation is one of the major sources for revenue generation in Nigeria of which petroleum carries the highest percentage of revenue generated in Nigeria. Petroleum taxation policy is both employed as a fiscal policy and as well as income generating tool is widely employed by both developing and developed countries. Since petroleum has been discovered in Nigeria it has been the bedrock of economy and is responsible for about 90% of revenue which is the highest revenue generated by government from taxation. As of 2000, oil and gas export accounted for more than 98% of export earnings and about 83% of federal government revenue, as well as generating more than 14% of its GDP as it provides 95% of foreign exchange earnings, and about 65% of budgetary revenues(central bank of Nigeria; 2015). The role of oil sector towards the process of national development can be seen in the aspect of; employment generation, foreign exchange earnings, income generation, industrialization, and improvement in other economic variables. While the major investors in the petroleum industry are the multinational oil companies, the government regulate the petroleum operations in Nigeria through the petroleum profit tax act (PPTA) of 2007 amended, with its main fiscal instrument as the petroleum profit tax (PPT), through which petroleum revenue accrue to the government. Odusola (2006) notes that the petroleum profit tax is applicable to upstream operation in the oil industry, and its main focus relates to prospecting and exploration lease, royalties, rents, margins and profit sharing elements associated with oil mining. The fundamental objectives of petroleum taxation are to ensure a fair share of accruing from the extraction of the petroleum resource, while also providing sufficient incentives to encourage investment and optimal economic recovery of the hydrocarbon resources. Nwete (2004) opines that the objectives of petroleum taxation includes; achieving government’s objectives of exercising right and control over the public asset, as well as regulating the number of participants in the industry and discouraging its rapid depletion in order to conserve some of it for future generation. Also some economist considers taxation an important tool for maintaining the stability of a country economy.

 Tax revenue plays a crucial role in promoting economic activity growth and development. Through tax revenue government ensures that resources are channeled towards important projects in the society, while giving succor to the weak. The role of tax revenue in promoting economic activity and growth may not be felt if poorly administered. This calls for a need for proper examination of the relationship between revenue generated from taxes and the economy, to enable proper policy formulation and strategy towards its efficiency. Adedeji and Oboh, (2012) are of view that the Nigerian economy has remained in a deep slumber with macroeconomic indicators reflecting an economy in dire need of rejuvenation, revival and indeed radical reform. Also in the view of Aguolu, (2008), tax administration needs to be revamped and refunds of taxes as well as duty drawbacks administration are inefficient.

A critical challenge before tax administration in the 21st century Nigeria is to advance the frontiers of professionalism, accountability and awareness of the general public on the imperatives and benefits of tax revenue in our personal and business lives which include: promoting economic activity; facilitating savings and investment; and generating strategic competitive advantage. If tax administration does not for any reason meet the above challenges, then there is a desperate need for reform in the area of the regime, and in the administration of taxes.

**1.2 Statement of the Problem**

 The impact of the Nigerian tax system on businesses has been a matter of increasing interest and concern to many persons. Tax policies and the structure of taxation in Nigeria is resulting to multiple taxation on businesses, forcing most businesses to run into losses or collapse. Businesses make numerous decisions daily. Their inability to make the right decisions can result in their failure. Since taxation is a liability businesses have to incur, businesses are faced with the option of managing their tax liabilities in such a way their tax burden is reduced. Their inability to effectively manage taxation brings about negative effects on the financing, investment and dividend decisions of the business.

Multiple taxation and high tax rates are challenges facing businesses in Nigeria today. Tax liabilities pose two issues for a business. First each and every tax required of a business is just another business expense. An increase in tax has the same effect as would raise in cost of goods. Ministries, departments, and agencies (MDAs) suffer from limitations in manpower, money, tools, and machineries to meet the ever increasing needs of individual taxpayers. As a matter of fact, the negative attitude of most tax collectors can be linked to poor remuneration and motivation. Also, it has been noted that that staff are not provided with regular training to keep them ahead of developments in tax related matters. This makes the administration of taxes in terms of coverage and assessment very weak. This necessitates the essence of the study on the effect of taxation on economic growth of Nigeria.

**1.3 Objectives of the Study**

The broad objective of this study is to examine the effect of taxation on economic growth of Nigeria. The specific objectives are as follows:

1. To evaluate the effect of petroleum profit tax on the real gross domestic product of Nigeria.

2. To examine the impact of company income tax on the real gross domestic product of Nigeria.

3. To determine the impact of custom and excise duty on the real gross domestic product of Nigeria.

**1.4 Research questions**

1. What is the effect of Petroleum profit tax on the real gross domestic product of Nigeria?

2. What is the impact of company income tax to the real gross domestic product of Nigeria?

3. What is the impact of custom and excise duty to the real gross domestic product of Nigeria?

**1.5 Research Hypotheses**

**Hypothesis One**

HO: Petroleum profit tax does not have significant effect on the real gross domestic product of Nigeria.

HI: Petroleum profit tax has significant effect on the real gross domestic product of Nigeria.

**Hypothesis Two**

HO: Company income tax does not have significant effect to the real gross domestic product of Nigeria.

HI: Company income tax has significant effect to the real gross domestic product of Nigeria.

**Hypothesis Three**

HO: Custom and excise duty does not have significant effect to the real gross domestic product of Nigeria.

HI: Custom and excise duty has significant effect to the real gross domestic product of Nigeria.

**1.6 Significance of the study**

 This research will at a wide range be of benefit to key players engaged in the shaping of the economy. Some of these key players include;

1. **Tax Authorities:** This research will enable tax authorities give attention to contentious areas in taxation that will enable them to understand how these areas affect the standing of the Nigerian economy.

2. **Petroleum Companies:** It helps petroleum companies know how they play a vital role in shaping the destiny of the government expenditure of Nigeria’s economy and understand how remitting their taxes can be of great importance to the economy of the nation at large.

3. **Students:** It gives students a better understanding about petroleum profit tax, company income tax and custom and excise duties, and how it affects the government expenditure of the economy.

4. Researchers: The research work can serve as a foundation or basis for other researchers who are willing to research along the same line. Future researchers can continue from where this research work stops

5. **General Public:** It helps the society know the role taxation in Shaping of government expenditure in the economy. It also affects their thoughts towards government about the utilization of revenue gotten from petroleum profit tax, company income tax and custom and excise duties.

**1.7 Scope of the study**

 This study on taxation as a tool for economic growth in Nigeria covers the period from 2007 to 2016. The variables included in the study are Petroleum Profit Tax, Company Income Tax and Custom and Excise Duty and gross domestic product. Annual frequency data are used.

**1.8 Limitation of the Study**

 In the process of this research, there are factors as constraints that follow this research work, some of them are: time, and lack of materials.

Time constraint: as a wide topic, it is supposed to cover a number of taxes, company income tax and custom and excise duties but time constraint has been a great hindrance which made researcher to bases this research on petroleum profit taxation. And it has been a difficult task combining lectures, reading and other essential non- academic work, limit the time to carry out this research.

Lack of materials: it is a challenge to the researcher to gather some materials that will be used for the progress of the work, such as articles and journals this is because the researcher was unable to get a well detailed journals base on the research topic from nearby library, therefore leading the researcher to go to many library and online for materials.

Consequently this study is limiting its attention to petroleum profit tax, company income tax and custom and excised duties only within the period 2007-2016.

**CHAPTER TWO**

 **REVIEW OF RELATED LITERATURE**

**2.0 Introduction**

 The literature review of this research work is done under three sub-headings which is conceptual, theoretical and empirical framework.

**2.1 Conceptual Framework**

**2.1.1 Definition of Taxation**

Tax has defined in many ways by different authors. Anyanwu (2007) defined tax as “compulsory transfer or payment of money (or occasionally of goods and services) from private individuals, institutions or and services) from private individuals, institutions or groups to the government. It may be levied upon wealth or income or in the form of surcharge on price.

According to Okpe (2008) “tax is the transfer of resources and income from the private sector to the public sector in order to achieve some of the nation’s economic and social goals, maybe in the form of provision of additional government basic services particularly in education, public health, transportation, capital formation and in the provision of facilities.

Anyanwaokoro (2004) defined tax as “a compulsory payment imposed by the government on individuals and corporate bodies in the governed area for which no direct goods or services are given in exchange of the payment made”.

Adebao (2009) also defined tax as “a compulsory levy imposed by the government on individuals and business organizations. It is a payment in return for which no direct and specific “quid pro quo” is offered by the government and indirect benefit to different individual taxpayers cannot be determined. From the above definitions Okwo (2011) summarized tax as a compulsory payment made by individuals and corporate bodies to the government for financing government expenditure or for general purpose of government aimed at improving the taxpayers welfare and in which both the taxpayer and the public at large benefit. There are three elements of taxation. These are;

* The tax base
* The tax rate
* The tax yield

The tax base is the object being taxed. Examples of tax based are income, profit and property.

The tax rate is the proportion of the value of the tax based that is paid as tax.

The tax yield is the actual amount accrued to the government in tax.

**2.1.2 Origin of Taxation in Nigeria**

 Historically, according to Osiegbu and Nnamdi, (2009) income tax in Nigeria was first introduced in 1904 by the late Lord Lugard of Britain, when community tax became operative in Northern Nigeria. The Nigeria taxation can be traced back in the northern territory. It was a convenient place to experiment the system of direct taxation because the people of the area were used to paying tax.

Under Fulani administration and also because the Muslim religion adhered to by the people approved of taxation as being consistent with the tenants of Islam. The laws passed by the British commissioner include:

* Land and revenue proclamation of 1904
* Native revenue proclamation of 1906
* Direct taxation ordinance of 1940
* Native revenue ordinance of 1917.

This taxation was in operation of northern and western regions in Nigeria. It was later introduced in the eastern Nigeria in 1928. It was the federal system of government taxation 1950, it was at this time that the Raisman Fiscal commission recommended the introduction of uniform basic principle for taxing income in 1958.

**2.1.3 Gross Domestic Product**

 Anidiobu, Agu and Ezinwa, (2016) defines Gross Domestic Product as "an aggregate measure of production equal to the sum of the [gross values added](https://en.wikipedia.org/wiki/Gross_value_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). Eme & Johnson (2012) that "GDP measures the monetary value of final goods and services - that is, those that are bought by the final user - produced in a country in a given period of time (say a quarter or a year)."

Total GDP can also be broken down into the contribution of each industry or sector of the economy. The ratio of GDP to the total population of the region is the [per capita GDP](https://en.wikipedia.org/wiki/GDP_per_capita) and the same is called Mean Standard of Living.

 Gross domestic product (GDP) according to Anidiobu and Okolie, (2016) a monetary [measure](https://en.wikipedia.org/wiki/Measurement_in_economics) of the market value of all final goods and services produced in a period (quarterly or yearly) of [time](https://en.wikipedia.org/wiki/Time). [Nominal GDP](https://en.wikipedia.org/wiki/List_of_countries_by_GDP_%28nominal%29) estimates are commonly used to determine the economic performance of a whole country or region, and to make international comparisons. [Nominal GDP per capita](https://en.wikipedia.org/wiki/List_of_countries_by_GDP_%28nominal%29_per_capita) does not, however, reflect differences in the [cost of living](https://en.wikipedia.org/wiki/Cost_of_living) and the [inflation rates](https://en.wikipedia.org/wiki/Inflation_rates) of the countries; therefore using a basis of [GDP per capita at purchasing power parity (PPP)](https://en.wikipedia.org/wiki/List_of_countries_by_GDP_%28PPP%29_per_capita) is arguably more useful when comparing differences in [living standards](https://en.wikipedia.org/wiki/Living_standards) between nations.

**2.1.4 Petroleum Profit Tax**

 The Petroleum Profit Tax Act (PPTA) is the tax law responsible for the governing of the taxation of 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 importance of taxation on petroleum profits cannot be overemphasized as tax revenue derived from tax in petroleum profits contributes, largely, to the total tax revenue available to the Nigerian government.

 Aboyade, (2010) stated that Petroleum Profit Tax is a major source of revenue for the Federal Government of Nigeria to meet its statutory obligations of ensuring the economic development of Nigeria. It assists the government to achieve the country’s macroeconomic objective in the areas of fiscal and monetary policies. However, it has been observed that non-provision of corporate social responsibilities in the communities where there is extraction of crude oil result into constant destruction of production installations, and hindrance to production; tax avoidance and evasion d poor tax administration, and weak fiscal policy have been negating the increase in tax income generated.

**2.1.5 Company Income Tax**

 Companies Income Tax (CIT) is tax on the profits of incorporated entities in Nigeria (Wooldridge, 2006). It also includes the tax on the profits of non-resident companies carrying on business in Nigeria. The tax is paid by limited liability companies inclusive of the public limited liability companies. It is therefore commonly referred to as corporate tax.

CIT was created by the Companies Income Tax Act (CITA) 1979 and has its root from the Income Tax Management Act of 1961. It is one of the taxes administered and collected by the Federal Inland Revenue Service (‘FIRS’ or ‘the Service’). The tax contributes significantly to the revenue profile of the Service. In 2016, the revenue target for Companies Income Tax is N1.877 trillion representing approximately 40% of the total projected tax revenue of N4.957 trillion for the year.

**2.1.6 Custom and Excise Duties**

 According to Osiegbu and Nnamdi, (2009) custom and excise duty refers to taxes levied on imported or exported goods. The two types of customs duties collected under international trade are import and export duty.

The duties are listed in the country’s tariff schedule.

Duties may be ad valorem or specific.

• An ad valorem duty is a fixed percentage of the value of the goods that are being imported e.g. 10% of value.

• A specific duty is a duty of a specific amount of money that does not vary with the price of the goods but with its weight, volume, surface, etc. The specific duty stipulates how many units of currency are to be levied per unit of quantity.

**2.1.7 Effect of Tax Revenue on Economic Growth**

 Tax is a compulsory levy imposed on a subject or upon his property by the government to provide security, social amenities and create conditions for the economic well-being of the society (Nwezeaku, 2012). Asterious and Hall (2010) stated that tax are imposed to regulate the production of certain goods and services, protection of infant industries, control business and curb inflation, reduce income inequalities etc. Odusola, (2009:45) say taxes are used as proxy for fiscal policy. They outlined five possible mechanisms by which taxes can affect economic growth.

* First, taxes can inhibit investment rate through such taxes as corporate and personal income, capital gain taxes.
* Second, taxes can slow down growth in labour supply by disposing labour leisure choice in favour of leisure.
* Third, tax policy can affect productivity growth through its discouraging effect on research and development expenditures. Fourth, taxes can lead to a flow of resources to other sectors that may have lower productivity.
* Finally, high taxes on labour supply can distort the efficient use of human capital high tax burdens even though they have high social productivity.

**2.2 Theoretical Framework**

**2.2.1 Benefit Principle Theory**

 The theoretical framework of this study is based on the benefit principle theory:

The benefit principle theory is a concept in the [theory of taxation](https://en.wikipedia.org/wiki/Theory_of_taxation) from [public finance](https://en.wikipedia.org/wiki/Public_finance). It bases taxes to pay for [public-goods](https://en.wikipedia.org/wiki/Public_good) [expenditures](https://en.wikipedia.org/wiki/Public_expenditure) on a politically-revealed [willingness to pay](https://en.wikipedia.org/wiki/Willingness_to_pay) for benefits received. The principle is sometimes likened to the function of [prices](https://en.wikipedia.org/wiki/Price_mechanism) in [allocating](https://en.wikipedia.org/wiki/Resource_allocation) [private goods](https://en.wikipedia.org/wiki/Private_good). In its use for assessing the [efficiency](https://en.wikipedia.org/wiki/Economic_efficiency) of taxes and appraising [fiscal policy](https://en.wikipedia.org/wiki/Fiscal_policy), the benefit approach was initially developed by [Knut Wicksell](https://en.wikipedia.org/wiki/Knut_Wicksell) (1896) and [Erik Lindahl](https://en.wikipedia.org/wiki/Erik_Lindahl) (1919), two economists of the [Stockholm School](https://en.wikipedia.org/wiki/Stockholm_school_%28economics%29). Wicksell's near-unanimity formulation of the principle was premised on a [just](https://en.wikipedia.org/wiki/Justice_%28economics%29) [income distribution](https://en.wikipedia.org/wiki/Income_distribution). The approach was extended in the work of [Paul Samuelson](https://en.wikipedia.org/wiki/Paul_Samuelson), [Richard Musgrave](https://en.wikipedia.org/wiki/Richard_Musgrave_%28economist%29), and others. It has also been applied to such subjects as [tax progressivity](https://en.wikipedia.org/wiki/Progressive_tax), corporation taxes, and taxes on property or [wealth](https://en.wikipedia.org/wiki/Wealth#Economic_analysis). The unanimity-rule aspect of Wicksell's approach in linking taxes and expenditures is cited as a point of departure for the study of [constitutional economics](https://en.wikipedia.org/wiki/Constitutional_economics) in the work of [James Buchanan](https://en.wikipedia.org/wiki/James_M._Buchanan).

According to this theory, the state should levy taxes on individuals according to the benefit conferred on them. The more benefits a person derives from the activities of the state, the more he should pay to the government. This principle has been subjected to severe criticism on the following grounds:

**1.** The assumption that the tax should be paid by an individual in proportion to benefits conferred by the State on that individual, is quite unrealistic because the benefits derived cannot be correctly measured in terms of money. Benefit is purely a subjective matter and there is no scientific way to measure the magnitude of benefit and its money value.

**2.** If benefits accrued to an individual is the basis of taxation, the poor must pay higher taxes because in a welfare State the poor get more benefits than the rich from the expenditure of the Government. This is clearly unjust and as such an unacceptable proposition.

**3.**   It is also very difficult to determine under this theory what proportion of the general benefits accrues to particular individuals. Government is for civilized existence and there is, therefore, no basis for valuing the services which the State renders.

**4.**  Most of the services provided by the State are indivisible and beneficiaries are unidentified. For example, it is not possible to divide the benefits of national defense, etc.

**5.**  Certain benefits accrue only to definite persons and in definite proportion. If this principle is followed, the whole of the benefit, they should return to the State as taxes. For example; pension paid to retired servants, definite and clear enough and therefore, they should offer the whole of their pension as taxes.

6.  The equitable distribution of wealth, the main objective of most of the modern Governments, will be defeated if this principle is followed.

The above description makes it amply clear that the benefit principle cannot ensure justice in the distribution of burden of taxes among different sections of the society.

## 2.2.2 Ability to Pay Theory

 The ability to pay theory was propounded by MS Kendrick in ‎1939. The theory considers tax liability in its true form-compulsory payment to the state without quid pro quo. It does not assume any commercial or semi-commercial relationship between the state and the citizens. According to this theory, a citizen is to pay taxes just because he can and his relative share in the total tax burden is to be determined by his relative paying capacity. This doctrine has been in vogue for at least as long as the benefits theory. A good account of its history is found in Seligman. This theory was bound to be supported by socialist thinkers because of its conformity with the ideas and concepts of justice and equity. The basic tenet of this theory is that the burden of taxation should be shared by the members of society on the principles of justice and equity and that these principles necessitates that the tax burden is apportioned according to their relative ability to pay.

**2.2.3 Faculty Theory:** According to Ola, (2011), this theory states that one should be taxed according to the ability to pay. It is simply an attempt to maximize an explicit value judgment about the distributive effects of taxes. Okafor, (2012) argue that a citizen is to pay taxes just because he can, and his relative share in the total tax burden is to be determined by his relative paying capacity.

**2.3 Empirical Review**

**2.3.1** **Effect of Petroleum Profit Tax on Economic Growth**

Akwe (2014) analysed the impact of oil Tax Revenue on Economic Growth from 1993 to 2012 in Nigeria. To achieve this research objective, relevant secondary data were used from the 2012 Statistical Bulletin of the Central Bank of Nigeria (CBN). These data were analyzed using the Ordinary Least Squares Regression. The result from the test shows that there exists a positive impact of Non-oil Tax Revenue on economic Growth in Nigeria.

Ogbonna and Ebimobowei (2012) investigated the impact of petroleum profit tax on the economic growth of Nigeria. To achieve the objective of this paper, relevant secondary data were collected from the Central Bank of Nigeria (CBN) and the Federal Inland Revenue Service (FIRS) from 1970 to 2010. The secondary data collected from the relevant government agencies in Nigeria were analysed with relevant econometric tests of Breusch-Godfrey Serial Correlation LM, White Heteroskedasticity, Ramsey RESET, Jarque Bera, Johansen Co-integration and Granger Causality. The results show that there exists a long run equilibrium relationship between economic growth and petroleum profit tax. It was also found that petroleum profit tax does granger cause gross domestic product of Nigeria.

Omoh (2007) analyzed the revenue generating capacity of the nine oil producing states. He disposed that the nine states generated internally of total of N97.293bn between 1993 and 2003. He employed simple comparative and descriptive analysis for the study. He posits that the internally generated revenue when compared to the N886.57bn they collected from the federation account between June 1999 and July 2004 is just 10.97 percent of federation allocation to the nine states. He further disclosed that Rivers State generated the highest revenue of N33.217bn during the period which is about 22.78 percent of the net allocation to states from the federation account in the last five years.

**2.3.2** **Impact of Company Income Tax on Economic Growth**

 Adegbie and Fakile (2011) examined the relationship between company income tax and Nigeria’s economic development for the period 1981 – 2007. They used the GDP to capture the Nigerian economy which was measured against total annual revenue from company income tax for the same period. They employed the use of chi square and multiple linear regression analysis method to analyze data obtained from both primary and secondary sources. Their variables included varous taxes regressed against GDP. With an R squared of 98.6% and an adjusted R squared of 98.4%, revealing that company income tax impact on GDP is very high and impressive. It further showed that there is a significant relationship between company income tax and Nigerian economic development and that tax evasion and avoidance are the major hindrances to revenue generation. Overall the study examined only company income tax which calls for the need to see the impact of all tax revenues on the Nigerian economy.

In their study of the relationship between company income tax and Nigerian economic development, Festu and Samuel (2007) reported that in Nigeria, the role of tax revenue in promoting economic activities and growth is not felt primarily because of its poor administration, perception and often an undesirable imposition which bears no relation to the responsibilities of citizenship or t the service provided by the governmet. Their study further revealed that an efficient and effective tax administration results in increased revenue yield, but this is not possible because of the presence of evasion and avoidance due to loop holes in the tax laws. On the other hand, Adedeji and Oboh (2010) stated that people expect that by sacrificing their private resources to the state in the form of taxes, government is expected to reciprocate by spending public revenue in a way that will enhance their welfare. However, government and tax collectors have been dubiously mismanaging the public treasury. There is high level of manipulation and diversion of tax revenue by the collectors. The dwindling tax revenue as presently witnessed results from lack of encouragement to the taxpayer, due to the fact that there is very little evidence to show for taxes collected. For these reasons, there are increased cases of tax evasion. Therefore, this gap in existing literature on tax revenue and economic growth needs to be filled.

**2.3.3 Impact of Custom And Excise Duty on Economic Growth**

 Owolabi and Okwu (2011) evaluated the contribution of VAT to the development of Lagos State economy. Development aspects considered included infrastructural development, environmental management, education sector development, youth and social development, agricultural sector development, health sector development and transpooirtation sector development. Result showed that VAT revenue contributed positively to the development of the respective sectors. However, the above studies show there is paucity of comprehensive research on the impact of tax revenue on the Nigerian economy. Rather, most research has focused only on a single aspect of the tax sources.

 Tosun and Abizadeh (2005) in their study of economic growth of tax changes in OECD countries from 1980 to 1999 reveal that economic growth measured by GDP per capita has a significant effect on the tax mix of the OECD countries. The analysis reveals that different taxes respond to the growth of the GDP per capita. It is shown that while the shares of personal and property taxes have responded positively to economic growth, shares of the payroll and goods and services taxes have shown a relative decline.

Okafor (2012) investigated the impact of income tax revenue on the economic growth of Nigeria as proxied by the gross domestic product (GDP). The study adopted the ordinary least square (OLS) regression analysis technique to explore the relationship between the GDP (the dependent variable) and a set of federal government income tax revenue heads over the period 1981-2007. The regression result indicated a very positive and significant relationship between the components of tax revenue and the growth of the Nigeria economy.

Adereti, Sanni and Adesina (2011) studied value added tax and economic growth in Nigeria. Time series data on the Gross Domestic Product (GDP), VAT Revenue, Total Tax Revenue and Total (Federal Government) Revenue from 1994 to 2008 sourced from Central Bank of Nigeria (CBN) were analyzed, using both simple regression analysis and descriptive statistical method. Findings showed that the ratio of VAT Revenue to GDP averaged 1.3% compared to 4.5% in Indonesia, though VAT Revenue accounts for as much as 95% significant variations in GDP in Nigeria. A positive and significant correlation exists between VAT Revenue and GDP. Both economic variables fluctuated greatly over the period though VAT Revenue was more stable. No causality exists between the GDP and VAT Revenue, but a lag period of two years exists.

Onaolapo, Aworemi, and Ajala (2013) examined the impact of value added tax on revenue generation in Nigeria. The Secondary Source of data was sought from Central Bank of Nigeria statistical Bulleting (2010), Federal Inland Revenue Service Annual Reports and Chartered Institute of Taxation of Nigeria Journal. Data analysis was performed with the use of stepwise regression analysis. Findings showed that Value Added Tax has statistically significant effect on revenue generation in Nigeria.

Anyanwu (2014) investigates the effects of taxes on Nigeria’s economic growth using the Ordinary Least Squares technique and Cochrane- Orcutt ,and data set from 1981 to 1996. He concludes that both company income tax customs and excise duties have positive and significant relationship with Gross

Domestic Product, while petroleum profits tax is positively but insignificantly related to economic growth. He discovers also that personal income tax negatively and insignificantly affects economic growth.

Darrah (2005) argues that the political economy of a feudal rather than fiscal federalism financially emasculates state governments to the point where they are unable to generate substantial revenue for sustainable programmes. He concludes that some revenue yielding items on the exclusive-legislative list in part I of the 1999 constitution should be reassigned to states.

Hino and Weilbert (2001) argue that states differ significantly in their individual abilities to generate revenue. They further posit that states in the west and East (rivers state inclusive) have stronger ability to generate income more than states in the North reflecting disparities in agricultural endowment and level of industrialization. They also revealed that fiscal analysis in Nigeria is hampered by the lack of reliable and comprehensive data on the financial operations of all tiers of government, particularly sub-national government.

Mbanefoh (2012) compared the proportion of the combined revenues of the federal and state governments collected by each and found that for the period 1970 to 1993 state governments independent revenue as a proportion of the federal and state government average about 6.6 percent. This explains why the state governments depend on federal government for over 70 percent of their recurrent revenue. On the average, state governments generated only 22.5 percent of their total current revenue from internal sources and only 18 percent of state government total expenditures are financed from their independent revenue sources in the period 1970 to 1993. Furthermore, there is an observed horizontal fiscal imbalance between, per capita distribution of income and wealth and volume of business transactions among the states. These differences result in wide disparities in per capita revenue collection potentials of the states. These disparities reflect the possible differences in the fiscal capacity, fiscal need and fiscal comfort or stress of each state.

**2.4 Review Summary**

Okafor (2012) investigated the impact of income tax revenue on the economic growth of Nigeria as proxied by the gross domestic product (GDP) using ordinary least square (OLS) regression analysis technique, Adereti, Sanni and Adesina (2011) studied value added tax and economic growth in Nigeria using both simple regression analysis and descriptive statistical method while Anyanwu (2014) investigated the effects of taxes on Nigeria’s economic growth using the Ordinary Least Squares technique and Cochrane- Orcutt. This study on taxation as a tool for economic growth used descriptive statistics, unit root test and ordinary least square for analysis. The study got an improved result for the fact that it combined diverse tools thereby filling the gaps left by the authors whose works were reviewed empirically.

**CHAPTER THREE**

**RESEARCH METHODOLOGY**

**3.0 Introduction**

This chapter is made up of the research design, area of study, nature and source of data, method of data analysis, model and description of research variables.

**3.1 Research Design**

The researcher adopted ex-post facto. The choice of the ex-post facto design is because the research relied on secondary data (Onwumere, 2009).

**3.2 Area of Study**

This study is centered on Nigeria.

**3.3 Sources of Data**

This study made use of secondary data obtained from the Central Bank of Nigeria Statistical Bulletins for the relevant years.

**3.4 Method of Data Analysis**

 Historical data covering a period of 10 years are to be estimated using Auto correlation test, it often occurs in time series data and it can make an OLS inefficient for drawing inferences. Heterskedasticity test is also a factor commonly associated with time series data. It affects the standard error as well as the t-statistics. Bound test is a test for measuring long run relationship. It measures whether a long run relationship exists between the independent variables and the dependent variable. The Auto Regressive Distributed Lag Model (ARDL) are standard least squares regressions that include lags of both the dependent variable and explanatory variables as repressors’ (Greene, 2008).

**3.5 Unit Root Test**

 This is the pre Co-integration test. It is used to determine the order of integration of a variable that is how many times it has to be differenced or not to become stationary. It is to check for the presence of a unit root in the variable i.e. whether the variable is stationary or not. The null hypothesis is that there is no unit root. This test is carried out using the Augmented Dickey Fuller (ADF) technique of estimation. The rule is that if the ADF test statistic is greater than the 5 percent critical value we accept the null hypothesis i.e. the variable is stationary but if the ADF test statistic is less than the 5 percent critical value i.e. the variable is non-stationary we reject the null hypothesis and go ahead to difference once. If the variable does not become stationary at first difference we difference twice. However it is expected that the variable becomes stationary at first difference.

**3.6 Model Specification**

 The following model was used to evaluate the study:

GDP = F (PPT, CIT, CED) ………………… (1)

Where:

GDP = Gross Domestic Product (it is used as a proxy for economic growth)

PPT = Petroleum Profit Tax

CIT = Company Income Tax

CED = Custom and excise duties (it is used as a proxy for tax revenue)

 In a linear regression form, it will become:

RGDP = βo + β1 PPT + β2 CIT + β3 CED + μ ………………… (2)

Where

βo = Constant Term

β1 = Coefficient of Petroleum Profit Tax

β2 = Coefficient of Company Income Tax

β3 = Coefficient of Custom and excise duties

μ = Error Term

**3.7 Description of Research Variables**

The research work is describes as follows:

**Dependent Variable:**

**Gross Domestic Product:**

Gross domestic product(GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period..

**Independent Variables**

**Petroleum Profit Tax:**

Petroleum Profits Tax (PPT) is the taxation imposed on the profits from the petroleum companies in the course of petroleum operations in an accounting period.

**Company Income Tax:**

An assessment levied by a government on the profits of a company. The rate of corporate income tax paid by a business varies between countries, although since corporations are legal entities distinct from their owners and operators, they are typically taxed as if they were people.

**Custom and Excise Duties**

Custom and excise duty this is a tax levied on imported or exported goods in a country.

**CHAPTER FOUR**

**PRESENTATION AND ANALYSIS OF DATA**

**4.0 Introduction**

 This chapter covers data presentation and analysis. It discussed diverse analytical methods used in the analysis of the study.

**4.1 Data Presentation**

 This chapter comprises of the data presentation, estimation and results of the empirical investigation carried out. It also addresses the relationship between each of the types of tax revenue (petroleum profit tax(PPT), companies income tax(CIT), custom and excised duties(CED)) and gross domestic product(GDP). Table 4.1 shows the data that was used in the analysis in this study.

**Table 4.1: Data showing GDP, PPT, CIT and CED**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| YR | GDP (N’M)  | PPT(N’M) | CIT(N’M) | CED(N’M) |
| 2007 | 6061700 | 683500 | 114800 | 195500 |
| 2008 | 11411067 | 1183600 | 113000 | 217200 |
| 2009 | 15610882 | 1904900 | 140300 | 232800 |
| 2010 | 18564595 | 2038300 | 244900 | 177700 |
| 2011 | 23280715 | 1500600 | 275300 | 241400 |
| 2012 | 25424948 | 2812300 | 420600 | 281300 |
| 2013 | 25236056 | 1256500 | 593700 | 297500 |
| 2014 | 34494583 | 1944700 | 658400 | 309200 |
| 2015 | 38016970 | 30700000 | 663020 | 438300 |
| 2016 | 40115340 | 32010000 | 847500 | 438300 |

**Source: CBN Statistical Bulletins**

The data were log transformed as in table 4.2 to minimize the values of the data in order to get an improved regression result.

**Table 4.2: Data showing log of GDP, PPT, CIT and CED**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| YR | LPPT | LCIT | LCED | LGDP |
| 2007 | 13.43498 | 11.65095 | 12.18332 | 15.61750 |
| 2008 | 13.98407 | 11.63514 | 12.28857 | 16.25009 |
| 2009 | 14.45994 | 11.85154 | 12.35793 | 16.56348 |
| 2010 | 14.52763 | 12.40861 | 12.08785 | 16.73677 |
| 2011 | 14.22138 | 12.52562 | 12.39421 | 16.96314 |
| 2012 | 14.84951 | 12.94944 | 12.54718 | 17.05124 |
| 2013 | 14.04384 | 13.29413 | 12.60317 | 17.04378 |
| 2014 | 14.48062 | 13.39757 | 12.64174 | 17.35631 |
| 2015 | 17.23977 | 13.40456 | 12.99066 | 17.45354 |
| 2016 | 17.28156 | 13.65005 | 12.99066 | 17.50727 |

Source: E-views Output

**4.2 Normality Test**

**Table 4.3: Descriptive Analysis**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | LPPT | LCIT | LCED | LGDP |
|  Mean |  14.85233 |  12.67676 |  12.50853 |  16.85431 |
|  Median |  14.47028 |  12.73753 |  12.47069 |  17.00346 |
|  Maximum |  17.28156 |  13.65005 |  12.99066 |  17.50727 |
|  Minimum |  13.43498 |  11.63514 |  12.08785 |  15.61750 |
|  Std. Dev. |  1.325524 |  0.772085 |  0.309113 |  0.588514 |
|  Skewness |  1.182592 | -0.218003 |  0.408500 | -0.863609 |
|  Kurtosis |  2.901597 |  1.512170 |  2.082318 |  2.941134 |
|  |  |  |  |  |
|  Jarque-Bera |  2.334910 |  1.001558 |  0.629012 |  1.244477 |
|  Probability |  0.311158 |  0.606058 |  0.730149 |  0.536742 |
|  |  |  |  |  |
|  Sum |  148.5233 |  126.7676 |  125.0853 |  168.5431 |
|  Sum Sq. Dev. |  15.81313 |  5.365042 |  0.859955 |  3.117142 |
|  |  |  |  |  |
|  Observations |  10 |  10 |  10 |  10 |

*Source: Author’s Computation with Eviews Software Version 9*

The study conducted the descriptive statistics of the relevant variables involved. Table 4.3 illustrates vividly these statistics. It shows the total number of observations, mean, median, maximum, minimum, standard deviation, skewness, kurtosis and Jarque-Bera. The dependent variable which is gross domestic product shows the minimum 15.61750 which was observed in 2000 and shows the maximum of 17.50727 which was observed in 2016. The mean value of the dependent variable is 16.85431 and the standard deviation is 0.588514 This implies that there was high fluctuation in gross domestic product for the years. It can be observed from Table 4.2 that all the variables have positive average values (means). The minimal deviation of the variables from their means as shown by the standard deviation gives indication of growth rate (fluctuation) of these variables over the period. It can be observed also that company income tax and gross domestic product show signs of negative skewness while petroleum profit tax and custom and excise duties show signs of positive skewness.

**4.3 Unit Root Test**

This test tries to examine the property of the variables. It is used to check for the presence of a unit root i.e. whether the variables are stationary. It is also used to ascertain the regression technique to adopt for analysis and testing of hypotheses. This test is carried out using the Augmented Dickey Fuller (ADF) test. The ADF is carried out using E-views software package and the results from the test are tabulated below:

**Table 4.4 Unit root test**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | ADF | cv@5% | Probability | Inference |
| **LPPT** | **-2.538871** | **-1.995865** | **0.0186** | **I(1)** |
| **LCIT** | **-3.164169** | **-3.017328** | **0.0351** | **I(0)** |
| **LCED** | **-2.885408** | **-1.995865** | **0.0100** | **I(1)** |
| **LGDP** | **-3.124923** | **-1.995865** | **0.0065** | **1(I)** |

Source: Eviews 9.0 Computation by Author

The a priori expectation when using the ADF test is that a variable is stationary when the value of the ADF test statistic is more negative than the critical value at 5%. Log of petroleum profit tax, log of custom and excise duties and log of gross domestic product are stationary at first difference (I(1) while log of company income tax is stationary at level I(0).

**4.4 Test for Autocorrelation**

Auto correlation often occurs in time series data and it can make an OLS inefficient for drawing inferences. For instance, positive autocorrelation makes the standard error biased and too small while negative autocorrelation makes the standard error too large.

**Table 4.4 Test for Autocorrelation**

Breusch – Godfrey Serial Correlation LM Test

|  |  |
| --- | --- |
| F- statistics  | 553.0092 |
| Probability Values | 0.1302 |

*Source: Author’s Compilation from Eviews 9*

|  |  |
| --- | --- |
|   |  |
|  |  |

**Decision Rule:**

Accept that there is no autocorrelation when the probability value is greater than 5% otherwise accept that there is auto correlation.

The null hypothesis for autocorrelation says that there is no autocorrelation.

For the fact that the probability value is greater than 5%, it is therefore concluded that there is no auto correlation.

**4.5 Test for Heteroskedasticity**

Heteroskedasticity is also a factor commonly associated with time series data. It affects the standard error as well as the t-statistics.

**Table 4.6 Test for Heteroskedasticity**

Heteroskedasticity Test: Breusch – Pagan Godfrey

|  |  |
| --- | --- |
| F- statistics  | 2.222109 |
| Probability Values | 0.2716 |

*Source: Author’s Compilation from Eviews 9*

**Decision Rule:**

Accept that there is no heteroskedasticity when the probability value is greater than 5% otherwise accept that it exists.

For the fact that the probability value is greater than 5%, it is therefore concluded that there is no heteroskedasticity.

**4.6 Bound Test**

Bound test is a test for measuring long run relationship. It measures whether a long run relationship exists between the independent variables and the dependent variable.

**Table 4.7 Bound Test**

|  |  |  |
| --- | --- | --- |
| ARDL Bounds Test |  |  |
| Date: 06/09/18 Time: 17:32 |  |  |
| Sample: 2008 2016 |  |  |
| Included observations: 9 |  |  |
| Null Hypothesis: No long-run relationships exist |
|  |  |  |  |  |
|  |  |  |  |  |
| Test Statistic | Value | K |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
| F-statistic |  5.558477 | 3 |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
| Critical Value Bounds |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
| Significance | I0 Bound | I1 Bound |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
| 10% | 2.72 | 3.77 |  |  |
| 5% | 3.23 | 4.35 |  |  |
| 2.5% | 3.69 | 4.89 |  |  |
| 1% | 4.29 | 5.61 |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |

**Decision Rule:**

If the F-statistics is greater than the upper bound, reject the null and conclude that there is long run relationship.

If the F-statistics is less than the lower bound accept the null and conclude there is no long run relationship.

If the F-statistic falls in between the upper and lower bound, the result becomes inconclusive.

**Decision:**

Since the F-statistic been 5.558477 is greater than the upper bound (3.77), it is therefore concluded that there is long run relationship between the independent variables and the dependent variable.

 **4.7 Regression Analysis**

**Tables 4.7: Auto Regressive Distributed Lag Model Table Analysis**

The Auto Regressive Distributed Lag Model (ARDL) was adopted for analysis and test of hypotheses based on the premise that the unit root test in table 4.4 was a combination of I(0) and I(1).

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
|  |  |  |  |  |
| Variable | Coefficient | Std. Error | t-Statistic | Prob.\*   |
|  |  |  |  |  |
|  |  |  |  |  |
| LGDP(-1) | 0.530298 | 0.206820 | 2.564058 | 0.0829 |
| LPPT | 0.047262 | 0.045217 | 3.045229 | 0.0327 |
| LCIT | 0.291310 | 0.276788 | 2.752467 | 0.0169 |
| LCIT(-1) | 0.535851 | 0.244526 | 2.191385 | 0.1161 |
| LCED | 0.377467 | 0.`336987 | 1.120125 | 0.0342 |
| C | 9.109371 | 3.093538 | 2.944645 | 0.0603 |
|  |  |  |  |  |
|  |  |  |  |  |
| R-squared | 0.986952 |     Mean dependent var | 16.99174 |
| Adjusted R-squared | 0.965206 |     S.D. dependent var | 0.420932 |
| S.E. of regression | 0.078517 |     Akaike info criterion | -2.016274 |
| Sum squared resid | 0.018495 |     Schwarz criterion | -1.884791 |
| Log likelihood | 15.07323 |     Hannan-Quinn criter. | -2.300014 |
| F-statistic | 45.38468 |     Durbin-Watson stat | 3.621337 |
| Prob(F-statistic) | 0.005001 |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
| \*Note: p-values and any subsequent tests do not account for model |
|         selection. |  |  |

*Source: Auhtor’s E-View 9.0 Output, 2018*

From the above regression analysis, the R2 is 0.986952 which is about 99%. The R2 is used to explain the goodness of fit. Therefore, since it is about 99%, it implies that about 99% change in GDP is explained by the independent variables and the higher the R2 the better fit the independent variables. Since the F – statistics is 45.38468 which is greater than 2.5 and the probability value is 0.005001 is <0.05. This shows that the model is significant and has a high goodness of fit.

**4.4 Test of Hypothesis**

 The test of hypothesis was carried out as follows:

Step 1: Re-statement of the hypothesis in the null and alternate forms

Step 2: Statement of decision criteria

Step 3: Presentation of test result

Step 4: Decision

**Test of Hypothesis one**

**Step 1: Restatement of the hypothesis.**

Petroleum profit tax does not have significant effect on the gross domestic product of Nigeria.

**Step 2: Statement of Decision Criteria**

 Reject HO if the probability of the t-statistics is <0.05.

**Step 3: Presentation of test result**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
|  |  |  |  |  |
| Variable | Coefficient | Std. Error | t-Statistic | Prob.\*   |
|  |  |  |  |  |
|  |  |  |  |  |
| LGDP(-1) | 0.530298 | 0.206820 | 2.564058 | 0.0829 |
| LPPT | 0.047262 | 0.045217 | 3.045229 | 0.0327 |
| LCIT | 0.291310 | 0.276788 | 2.752467 | 0.0169 |
| LCIT(-1) | 0.535851 | 0.244526 | 2.191385 | 0.1161 |
| LCED | 0.377467 | 0.336987 | 1.120125 | 0.0342 |
| C | 9.109371 | 3.093538 | 2.944645 | 0.0603 |
|  |  |  |  |  |
|  |  |  |  |  |
| R-squared | 0.986952 |     Mean dependent var | 16.99174 |
| Adjusted R-squared | 0.965206 |     S.D. dependent var | 0.420932 |
| S.E. of regression | 0.078517 |     Akaike info criterion | -2.016274 |
| Sum squared resid | 0.018495 |     Schwarz criterion | -1.884791 |
| Log likelihood | 15.07323 |     Hannan-Quinn criter. | -2.300014 |
| F-statistic | 45.38468 |     Durbin-Watson stat | 3.621337 |
| Prob(F-statistic) | 0.005001 |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
| \*Note: p-values and any subsequent tests do not account for model |
|         selection. |  |  |

*Source: Auhtor’s E-View 9.0 Output, 2018*

**Step 4: Decision**

 Given the decision criteria to reject HO if the probability value is < 0.05. Table 4.4.1 shows a probability of 0.0327<0.05. We accept the alternative hypothesis (H1) and conclude that petroleum profit tax has significant effect on the gross domestic product of Nigeria.

**Test of Hypothesis Two**

Step 1: Restatement of the hypothesis.

Company income tax does not have significant effect on the gross domestic product of Nigeria.

**Step 2: Statement of Decision Criteria**

 Reject HO if the probability of the t-statistics is <0.05.

**Step 3: Presentation of test result**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
|  |  |  |  |  |
| Variable | Coefficient | Std. Error | t-Statistic | Prob.\*   |
|  |  |  |  |  |
|  |  |  |  |  |
| LGDP(-1) | 0.530298 | 0.206820 | 2.564058 | 0.0829 |
| LPPT | 0.047262 | 0.045217 | 3.045229 | 0.0327 |
| LCIT | 0.291310 | 0.276788 | 2.752467 | 0.0169 |
| LCIT(-1) | 0.535851 | 0.244526 | 2.191385 | 0.1161 |
| LCED | 0.377467 | 0.336987 | 1.120125 | 0.0342 |
| C | 9.109371 | 3.093538 | 2.944645 | 0.0603 |
|  |  |  |  |  |
|  |  |  |  |  |
| R-squared | 0.986952 |     Mean dependent var | 16.99174 |
| Adjusted R-squared | 0.965206 |     S.D. dependent var | 0.420932 |
| S.E. of regression | 0.078517 |     Akaike info criterion | -2.016274 |
| Sum squared resid | 0.018495 |     Schwarz criterion | -1.884791 |
| Log likelihood | 15.07323 |     Hannan-Quinn criter. | -2.300014 |
| F-statistic | 45.38468 |     Durbin-Watson stat | 3.621337 |
| Prob(F-statistic) | 0.005001 |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
| \*Note: p-values and any subsequent tests do not account for model |
|         selection. |  |  |

*Source: Auhtor’s E-View 9.0 Output, 2018*

**Step 4: Decision**

 Given the decision criteria to reject HO if the probability value is < 0.05. Table 4.4.2 shows the probability value of 0.0169 <0.05. We reject the null hypothesis (H0) and conclude that company income tax has significant effect on the gross domestic product of Nigeria.

**Test of Hypothesis Three**

Step 1: Restatement of the hypothesis.

Customs and excise duties do not have significant effect on the gross domestic product of Nigeria.

**Step 2: Statement of Decision Criteria**

 Reject HO if the probability of the t-statistics is <0.05.

**Step 3: Presentation of test result**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
|  |  |  |  |  |
| Variable | Coefficient | Std. Error | t-Statistic | Prob.\*   |
|  |  |  |  |  |
|  |  |  |  |  |
| LGDP(-1) | 0.530298 | 0.206820 | 2.564058 | 0.0829 |
| LPPT | 0.047262 | 0.045217 | 3.045229 | 0.0327 |
| LCIT | 0.291310 | 0.276788 | 2.752467 | 0.0169 |
| LCIT(-1) | 0.535851 | 0.244526 | 2.191385 | 0.1161 |
| LCED | 0.377467 | 0.336987 | 1.120125 | 0.0342 |
| C | 9.109371 | 3.093538 | 2.944645 | 0.0603 |
|  |  |  |  |  |
|  |  |  |  |  |
| R-squared | 0.986952 |     Mean dependent var | 16.99174 |
| Adjusted R-squared | 0.965206 |     S.D. dependent var | 0.420932 |
| S.E. of regression | 0.078517 |     Akaike info criterion | -2.016274 |
| Sum squared resid | 0.018495 |     Schwarz criterion | -1.884791 |
| Log likelihood | 15.07323 |     Hannan-Quinn criter. | -2.300014 |
| F-statistic | 45.38468 |     Durbin-Watson stat | 3.621337 |
| Prob(F-statistic) | 0.005001 |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
| \*Note: p-values and any subsequent tests do not account for model |
|         selection. |  |  |

*Source: Auhtor’s E-View 9.0 Output, 2018*

**Step 4: Decision**

 Given the decision criteria to reject HO if the probability value is < 0.05. Table 4.4.2 shows that a probability value of 0.0342 < 0.05. We reject the null hypothesis (H0) and conclude that customs and excise duties have significant effect on the gross domestic product of Nigeria.

**4.8 Discussion of Findings**

The regression analysis showed the R2 to be 0.986952 which is about 99%. The R2 is used to explain the goodness of fit. Therefore, since it is about 99%, it implies that about 99% change in GDP is explained by the independent variables and the higher the R2 the better fit the independent variables. Since the F – statistics is 45.38468 which is greater than 2.5 and the probability value is 0.005001 is <0.05. This shows that the model is significant and has a high goodness of fit.

It is also discovered that petroleum profit tax has significant effect on the gross domestic product of Nigeria due to the fact that probability value been 0.0327 was less than 0.05.

It is also discovered that company income tax has significant effect on the gross domestic product of Nigeria as its probability value been 0.0169 was less than 0.05.

Customs and excise duties have significant effect on the gross domestic product of Nigeria because its probability value been 0.0342 is less than 0.05.

 **CHAPTER FIVE**

 **SUMMARY OF FINDING, CONCLUSIONS AND RECOMMENDATIONS**

**5.0 Introduction**

 This chapter is made up the summary of research findings, conclusions, recommendations and areas for further studies.

**5.1 Summary of Findings**

 The following findings are made for this study:

1. Petroleum profit tax has significant effect on the gross domestic product of Nigeria.
2. Company income tax has significant effect on the gross domestic product of Nigeria.
3. Customs and excise duties have significant effect on the gross domestic product of Nigeria.

**5.2 Conclusion**

From the findings of this study, it is concluded that petroleum profits tax has a significant positive relationship with Gross Domestic Product and still have a long run relationship among themselves for the period covered in the study. It was also concluded that about 99% changes in the dependent variable are explained by the independent variable. This implies that the goodness of fit measured by the R2 is about 99%.

**5.3 Recommendations**

The following recommendations are made for this study:

1. Given the dwindling revenue from petroleum related sources, the government should embark on the strategic pursuit of broadening the economy to enhance economic growth and development.

2. Government agencies should effectively devise procedures for the collection of company income tax as it contributes to economic growth as reported in the findings.

3. Government agencies should as well ensure timely payment of custom and excise duties as it also contributed positively to economic growth as reported in the findings of the study.

**5.4 Areas for Further Studies**

Since the researcher could not exhaust every aspect of taxation and its effect on economic growth, it is therefore suggested that other researchers should focus on other aspects of taxation such as personal income tax, value added tax, etc and as well as study how they affect economic growth.

 **REFERENCES**

Aboyade, L. (2010). *Principles of International Finance*. Lagos, Forthright Educational Publishers.

Adebao, K. (2009). Perceived relationship between Exchange rate and Economic growth in

Nigeria, *1970-2010. American Journal of Humanities and Social Sciences, 11*(3), 116-124

Adedeji, H. and Oboh, I. (2010). Effects of tax revenue on economic growth of Nigeria,

 *International Journal of Business and Social Science*. 5(2), 302-309.

Adegbie, E. and Fakile, A. (2011). The relationship between company income tax and Nigeria’s

economic development for the period 1981 – 2007, *Global Journal of Management and Business Research*. 11(96), 1-5.

Adereti, I. Sanni, K. and Adesina, U. W. (2011). Relationship of Value Added Tax and

Economic Growth in Nigeria, *Academy of Management Journal,* 33 (9), 663-691.

Aguolu, I. (2008). Effect of Tax Reforms and Economic Growth of Nigeria, Czech *Journal of*

 *Economics and Finance, 54*, (7), 2-21.

Akwe, H. (2014). Impact of oil Tax Revenue on Economic Growth of Nigeria, *International*

 *Journal of Arts and Commerce*. 2(2); 27-32

Anidiobu, G.A., Agu, B.O. & Ezinwa, C.E. (2016).Responsiveness of economic growth to external debt in Nigeria.*Journal of Policy and Development Studies, 10(3), 1-19.*

Anidiobu, G. A. and Okolie, P. I. P. (2016)Responsiveness of Foreign Exchange to foreign *debt: Evidence from Nigeria International Journal of Arts, Humanities and Social Sciences, 1(3), 11-20.*

Anyanwu, J.C., (2014). Monetary Economics: Theory, Policy and Institutions. Onitsha: Hybrid Publishers,.

Anyawaokoro, M. (2004).*Banking Method And Processes*, Hossana Publication, Enugu

 Association.

Asterious, D. and Hall S., (2010).*Applied Econometrics: A Modern Approach.* London: Palgrave Macmillan.

Adegbie, E. and Fakile, A. (2011). The relationship between company income tax and Nigeria’s

economic development for the period 1981 – 2007, *Global Journal of Management and Business Research*. 11(96), 1-5.

Adereti, I. Sanni, K. and Adesina, U. W. (2011). Relationship of Value Added Tax and

 Economic Growth in Nigeria, *Academy of Management Journal,* 33 (9), 663-691.

Akwe, H. (2014). Impact of oil Tax Revenue on Economic Growth of Nigeria, *International*

 *Journal of Arts and Commerce*. 2(2); 27-32

Alli, B. D., (2009). Managing the tax reform process in Nigeria. Enugu: Abic Books and Equipment.

Anyanwu, J.C., (2011). Nigerian Public Finance. Onitsha: Joanne Educational Publishers.

Anyanfo, O., (2011). Public Finance in a Developing Economy: The Nigerian Case. Department of Banking and Finance, University of Nigeria, Enugu Campus. Enugu.

Anyanwu, J.C., (2003). Monetary Economics: Theory, Policy and Institutions. Onitsha: Hybrid Publishers,.

Appah, E., (2009). Principles and Practice of Nigerian Taxation. Port Harcourt: Ezevin Mint Printers and Publishers.

Appah, E., (2010). The Problems of Tax Planning and Administration in Nigeria: The Federal and State Governments Experience. Vol. 4 (12).

Appah, E. and Oyandonghan, J.K. (2011).The challenges of tax mobilization and management in the Nigerian economy.Business Administration Management journal, Vol. 6(42).

Arnold, J.M., (2011). Tax policy for economic recovery and growth.Illinois: Richard Irwin Inc.

Azubike, J.U.B., (2009). Challenges of tax authorities in the management of tax reform processes. Enugu: Africana Fep Publishers Ltd.

Asterious, D. and Hall S., (2010).Applied Econometrics: A Modern Approach. London: Palgrave Macmillan.

Bhartia, H.L., (2010). Public Finance. 14th Edition., New Delhi: Vikas Publishing House PVT Ltd.

Darrah, W. (2005). Tax revenue and economic growth of West African Countries, *An European*

 *Review*, 10 (7), 4-8.

Dwivedi, D.N., (2012). Managerial Economics. 6th Edition., New York: McGraw Hill Inc.

Darrah, W. (2005). Tax revenue and economic growth of West African Countries, *An European*

 *Review*, 10 (7), 4-8.

 Engen, E. and Skinner, J. (2011).Taxation and economic growth.New Jersey: Prentice hall International.

Eme, O.A & Johnson A.A. (2012*).*Effect of Exchange Rate movement on Economic growth in Nigerian**,** *CBN Journal of Applied Statistics,* 2(2): 1-28.

Emekekwue, P. (2009). *Corporate Financial Management,* Kinshasa: African Bureau of

 Educational Sciences.

Festu, S. and Samuel, R. (2007). Role of tax revenue in promoting economic activities and

 growth in Nigeria, *Science Journal of Business and Management* 4(6), 38 – 42.

Gujarati, D.N. and Porter, D.C. (2009).Basic Econometrics.5th Edition. New York: McGraw Hill.

Greene, W.H. (2008). Econometric analysis. 6th edition. New York university. Stern school of Business.

Hino, F. and Weilbert, K. (2001).Elements of Taxation, *Journal of General Management*, 29 (1),

 15–31.

Jhingan, M.L., (2010). Money, Banking, International Trade and Public Finance. New Delhi:

 Vrinda Publications.

Kiabel, B.D. and Nwokah, N.G. (2009). Boosting revenue generation by state governments in Nigeria: The tax Consultants option revisited. Vol. 18(46).

Mbanefoh, A. (2012). Principles of taxation, *International Journal of Academic Research in*

 *Business and Social Sciences,* 5 (6), 34 – 43.

Musgrave, R.A. and. Musgrave, P.B (2011).Public Finance in Theory and Practice*.*New Delhi: Tata McGraw Hill.

Mbanefoh, A. (2012). Principles of taxation, *International Journal of Academic Research in*

 *Business and Social Sciences,* 5 (6), 34 – 43.

Nwete, A. (2004). The analysis of the effect of petroleum profit tax on Nigerian Economy,

 *International Journal of Environmental & Science Education*, 11 (15), 45-53.

Nwezeaku, N.C., (2012). *Taxation in Nigeria: Principles and Practice.* Owerri: Springfield Publishers.

Ogbonna, A. L. and Ebimobowei, G. (2012). Impact of petroleum profit tax on the economic

growth of Nigeria, *International Journal of Multidisciplinary Education and Research,* 1(5), 5-10 22.

Okafor, M. (2012). Impact of income tax revenue on the economic growth of Nigeria, *Journal of*

 *Abnormal Psychology*, 67, 422-436

Omoh, W. I. (2007). Revenue generating capacity of the nine oil producing states, *Arabian Journal of Business and Management Review,* 4 (2), 34 – 39.

Odusola, A., (2009).*Tax Policy Reforms in Nigeria.*Enugu: Providence Press Nigeria Limited.

Okwo, I. (2011). *Challenges of tax authorities in the management of tax reform processes.*Enugu: Africana Fep Publishers Ltd.

Osiegbu, P.I. and Nnamdi, I (2009).*Public Finance: Theories and Practices*. Asaba: C.M. Global Company Ltd., Asabi.

Ogbonna, A. L. and Ebimobowei, G. (2012). Impact of petroleum profit tax on the economic

growth of Nigeria, *International Journal of Multidisciplinary Education and Research,* 1(5), 5-10 22.

Okafor, M. (2012). Impact of income tax revenue on the economic growth of Nigeria, *Journal of*

 *Abnormal Psychology*, 67, 422-436

Omoh, W. I. (2007). Revenue generating capacity of the nine oil producing states, *Arabian Journal of Business and Management Review,* 4 (2), 34 – 39.

Onaolapo, S. Aworemi, E. I. and Ajala, K. (2013). Impact of value added tax on revenue

generation in Nigeria, *Quarterly Journal of Economics*, 122 (19), 729 – 773.

Owolabi, M. and Okwu, U. (2011). Contribution of VAT to the development of Lagos State

 economy, *British Journal of Education Studies*, 35(2), 129-148.l.5, 50-58.

Tosun, E. and Abizadeh, J. (2005). Responsiveness of Economic Growth to Taxation in Nigeria,

 *International Journal of Business and Social Sciences*, 5 (2), 19 – 26.

Wooldridge, J.M., (2006). *Introductory Econometrics: A Modern Approach*.3rd Edition. New York: Thomson Higher Education, Mason