Taxation and Economic Growth in Nigeria

Professor Ogbonna, Gabriel Nkwazema; AMAH, Cletus O, (PhD)
Department of Accounting, Faculty of Management Sciences, University of Port Harcourt, Choba, Rivers State

ABSTRACT
In this study, we investigated two relevant types of taxation, namely: Custom and Excise Duty and Petroleum Profits Tax and how they relate to Nigeria Economic growth. The relationship between these two types of taxation and the Nigeria economic growth has become increasingly necessary because of the critical role they are expected to play in the Nigeria Economic Growth. The study adopted a descriptive and historical research design; secondary data for ten years (2009 -2018) were collected from various publications of the Central Bank of Nigeria (CBN) Statistical Bulletin and Annual Reports. Taxation as an independent variable was measured with Petroleum Profit Tax (PPT) and Custom and Excise Duties (CED) while the dependent variable was Economic Growth (EG) and the proxies were measured by the Gross Domestic Product (GDP). Analysis was performed on data collected using multiple Regressions. The results of the study showed that PPT and CED had significant relationships with economic development. In view of the findings, the study concludes that taxation is a strong socio-political and economic tool for economic development. Based on the findings and conclusion, this study recommends that government should ensure that revenue generated through taxation should be channeled towards infrastructural development and building capital stock to boost economic growth in Nigeria; government should also engage in a complete re-organization of administrative machinery of taxation in order to reduce incidence of tax avoidance and tax evasion to the barest minimum so as to improve the efficiency of taxation and bring more people and establishments into the tax net.

© 2021 Hosting by Research Parks. All rights reserved.
INTRODUCTION

Economic growth of a country can be measured as the improvement in the general welfare and standard of living due to more equitable distribution of incomes, goods and services. The economic growth of any country also depends on the substantial revenue generated from all sources and the extent in which the revenue is used in the provision of infrastructure in that country. A major means of generating revenue for the provision of needed infrastructure is through a well-structured tax-system such as excise duties and value added tax (Ogbonna and Appah, 2012).

Economic Development which takes consideration of all activities in the economy is the fundamental process by which a nation improves the economic, political, and social well-being of her people, raising their standard of living, providing security, education, self-esteem and freedom, combined with poverty alleviation and capacity building for sustainable development. By way of explanation, the World Bank has described economic development as not only the growth in Gross Domestic Product (GDP) but also involves the following: reduction in poverty, inequality and unemployment, improvement in the quality of human lives and capabilities, enrichment of living standards, creation of enabling environment and opportunities, more investment and improvement in the infrastructure and institutions and enjoyment of human rights, and the advancement of technology (and not individual acquisition of excessive wealth). Economic growth of a country can also be described as the increase in the production of goods and services per head of the population over a period of time and the creativity of the people plays a vital role and holds the key to economic growth of the country.

Salami, Apelogun, Omidiya and Ojoye, (2015) posit that economic growth is the sustained increase in a country’s productive capacity (as measured by comparing the gross national product in a year with that of the previous year); increase in per capita national output or net national product over a long period of time which occurs when a nation’s production possibility frontier shifts outward.

According to Ibanichuka, Akani and Ikebujo, (2018), economic history of both advanced and developing countries has showed that tax is an important strategic tool in the hand of the government; not only to generate revenue but also to achieve goals such as influencing the direction of investment and taming the consumption of certain goods and services. And more recently, it is advocated globally that countries should move from the concept of economic development to that of “sustainable economic development”, implying a self-sustaining economic development which can be achieved partly through the use of taxation.

Taxation is an important subject in financial industry. Tax revenue plays a crucial role in promoting economic activities, growth and development. Taxation refers to means by which governments finance their expenditure by imposing charges on citizens and corporate entities. Through tax revenue, government ensures that resources are channeled towards important projects in the society.

It is worthy of note that in Nigeria, taxation is one of the oldest means by which the cost of providing essential services for the generality of persons living in a given geographical area is funded by government which is also saddled with the responsibility of providing some basic infrastructures for their citizens (Oladipupo and Ibadin, 2015).

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 Governments 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 facilities.
amenities for improved public services via proper administrative system, and structures. Tax revenue plays a crucial role in promoting economic activities, 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 adequate investigation of the relationship between revenue generated from taxes and the economy, to enable proper policy formulation and strategy towards its efficiency.

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 tax regime, and in the administration of taxes. 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 tax evasion, tax 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, (2010). 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, and essential public services (such as the maintenance of law and order) are put in place etc.

Some of the most recently cited examples are the governments of Canada, United States, Netherland, United Kingdom, who derive substantial revenue from Company Income tax, Value Added Tax, Import Duties and have used same to create prosperity Adegbie, (2010). Thus it can be said that the economic development of a country depends on various reasons one of which is the presence of an effective and efficient tax revenue policy. In Nigeria the contribution of tax revenue has not met the expectations of Government. Government has equally expressed this disappointment and has accordingly vowed to expand the non-oil tax revenue. Eguaghide, (2009). It is in the light of the foregoing that this study examines the extent to which the tax system has contributed to economic growth of Nigeria.

**Statement of the Problem**

Nigeria economic indices over the years have been weak and fluctuating. Problem of economic growth especially in underdeveloped countries is one of the most crucial issues among the problem in the recent national economic Review (Otu & Theophilus, 2013). This has led to differences of view in the measuring of economic growth of a country on the basis of GDP, per capital income. Thus, Kanayo and Fadila (2012) argued that GDP might not be sufficient for measuring growth and development because the funds obtained may not necessarily be used to improve the quality of life of worse off communities. Kanayo and Fadila (2012) is of the view that redistribution of the growth increment of income is more likely to be effective in reducing poverty than growth in GDP alone. Therefore while growth in GDP may be prone to poverty reduction, it should be complemented with strategic policies to ensure investment and broad participation, reduce violence, insecurity, root out corruption and increase investment in infrastructure.

Taxation has been a major means by which government generate revenue for the provision of needed infrastructure (Ogbonna and Appah, 2012). However, most Nigerians perceived taxation as a means in which government raises revenue at the expense of their sweat which does not benefit them. Studies show that Nigeria is indeed in dire need of effective and efficient tax system in order to generate enough revenue that will stimulate economic growth (Abata, 2014; Bilal, 2015). According to
Olusanya, et al (2012), taxation may be seen as a threat to individual's proposed standard of living or even business proposed revenue generation; but to the government and the fiscal need for taxation, it is the pillar and facilitator of development.

There is a general lack of consensus among scholars on the contribution of tax revenue to the economic growth of nations. And there has been series of diverse postulation and assumptions of relationship between tax revenue and economic growth and economic development in Nigeria. For instance, 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 (i.e. before 1970s). Eguaghide (2009) established that the role of tax revenue in promoting economic activities and growth is not felt in Nigeria (between 1970s to date). The emergence of oil as a major tax revenue and other taxes such as personal income tax, company income tax, etc. are supposed to be means through which Nigerian government solves the economic problems of the nation and to also enhance government expenditure which is expected to be beneficial to its citizens through the provision of social infrastructures Adereti, (2011). However, in Nigeria, this has not been the case because despite the tax revenue and expenditure reported year in the year by the government, the physical state of the nation in terms of social amenities, capital development, economic growth and development appear backward. This is evident in the lack of electricity supply, portable drinking water, basic health care delivery, bad roads, just to mention but a few. It was observed that the advent of the oil boom encouraged some laxity in the management of non-oil revenue sources like the company income tax, personal income tax, value added tax, capital gain tax, custom and excise duties Ogundele, (2008).

Therefore, the essence of this research is to investigate the unresolved problems of low tax revenue in Nigeria and the consequence of this effect on the low economic growth in the Nigeria.

Objectives of the Study
1. To determine the effect of custom and excise duty on the economic growth
2. To examine the contribution of Petroleum profit tax on the economic growth in Nigeria

Research Questions
Based on the specific objectives the research questions are stated as follows:
1. What is the contribution of custom and excise duty on the economic growth
2. What is the contribution of Petroleum profit tax on the economic growth in Nigeria

Research Hypotheses
In line with the research questions the null hypotheses that guided this study are stated below:
\( H_0_1 \): Custom and Excise Duty have no significant effect on the economic growth in Nigeria
\( H_0_2 \): Petroleum profit tax has no significant effect on economic growth in Nigeria

LITERATURE REVIEW
This section is focused in two parts, namely: the theoretical underpinning of the study and the review of relevant prior works done by other researchers.

Conceptual Frame Work
The Institute of Chartered Accountants of Nigeria (2006) and the Chartered Institute of Taxation of Nigeria (2002) defined tax as an enforced contribution of money to government pursuant to a defined authorized legislature. Tax yields very substantial revenue to government. Thus, it has a bearing on the Gross Domestic Products (GDP) which is the standard indicator for measuring the economic development of a nation. The nature and level of tax vary according to the economic policies adopted by the government of the day. Tax can be used as an instrument of social engineering, to stimulate
economic growth and development Sanni (2009). In that regard, tax could have a positive or negative effect on both the individual and on government. To the individual, low income tax rate constitutes an incentive to work or save, while high income tax rate represents a disincentive to work or save. To the government, high tax rates provides the most reliable, important and dominant source of government revenue for promoting the economic development of the nation. The tax rate is often a major consideration in the choice of organizational form of business (Okafor, 2008); and may also be associated with varying levels of foreign direct investment (Desai et al., 2004).

Also Nzotta (2009) noted that taxes generally have allocation, distributional and stabilization function. The allocation function of taxes entails the determination of the pattern of production, the goods that should be produced, who produces them, the relationship between the private and the public sector and the point of social balance between the two sectors. The distribution function of taxes relates to the manner in which the effective demand over economic goods is divided, among individuals in the society. Musgrave and Musgrave (2006) posit that the distribution function deals with the distribution of income and wealth to ensure conformity with what society considers fair or just state of distribution. The stabilization function of taxes seeks to attain high level of employment, a reasonable level of price stability, an appropriate rate of economic growth, with allowances for effects on trade and on the balance of payment. Nwezechaku (2005) argues that the scope of these functions depends, inter alia, on the political and economic orientation of the people, their needs and aspirations as well as their willingness to pay tax. Thus, the extent to which a government can perform its functions depends largely on the ability to design tax plans and administration as well as the willingness and patriotism of the governed. There are various taxes that are federally collected, these include: Company Income Tax (CIT), Petroleum Profit Tax (PPT), Personal Income Tax (PIT), Value Added Tax (VAT), Custom and Excise Duties (CED) amongst others. The Federal Government Agency responsible for the administration and collection of these taxes except Custom/Excise Duties was up to April, 2009 known as the Federal Board of Inland Revenue (FBIR). In 2009, the FBIR was scrapped and replaced with the Federal Inland Revenue Service (FIRS). The collection of customs and excise duties is handled by the Nigeria Custom Service.

Concept of Taxation and Tax Administration in Nigeria

The Institute of Chartered Accountants of Nigeria, (2006) and the Chartered Institute of Tax Revenue of Nigeria, (2002) view tax as an enforced contribution of money, enacted pursuant to legislative authority. According to the (black law dictionary, 1999), 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. 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.

Theoretical Framework

There are several theories that provide justification for the existence and use of tax as a source of revenue and economic policy and development tool by governments all over the world. Below we discuss some of the relevant theories of taxation:

The Expediency Theory

This theory on its part is based on the assumption that there need not be any relationship between tax paid and benefit received from the government. The proponents assert that every tax proposal must pass the test of practicability. It must be the only consideration weighing the authorities in choosing a tax
proposition. This proposition has a truth in it, since it is useless to have a tax which cannot be levied and collected efficiently. The expediency theory is related to the tax structure development theory advanced by Hinrichs in 1966 which presupposes that improvements in tax structure have the propensity to increase government revenue and improve the economy of a nation.

**Socio-Political theory of taxation**

The Socio-Political theory of taxation presented by Wagner (1883) states that social and political objectives should be the major factors in selecting taxes. The theory advocated that a tax system should not be designed only to serve individuals, but should be used to cure the ills of society as a whole. Wagner, in other words, was advocating a modern welfare approach in evolving and adopting a tax policy.

**Empirical Review**

The relationship between taxation and economic growth has been examined severally by different researchers with mixed results. This study examines previous empirical works from cross-national studies, developed economies, developing economies and Nigeria.

**Evidence from Cross-National Studies**

A research study carried out by Taufik and Imbarine (2012) applied the square root transformation of ordinary least squared (OLS) and reports positive effect of tax revenue on growth in an open trade environment. Similar result was obtained in another study by N’Yilimon (2014) using unit root test on panel data. It suggests also the absence of a non-linear relationship between taxation and economic growth of WAEMU countries. Tanzi (1989) also finds that total tax revenue has high positive significance to the change in GDP, in which four of the components of tax revenue (GST, IPCT, ITT, and TTR). However, the effects of tax revenue were not consistent for all countries in the four level of income.

However, the study of Margareta and Åsa (2012) which deployed the fixed effects regression on a panel data of 25 OECD countries from 1970 to 2010 reports that both taxation of corporate and personal income negatively influence economic growth. The correlation between corporate income taxation and economic growth is more robust.

This is contrary to the findings of Ugwunta and Ugwuanyi (2015) which adopted an ex-post facto research design, with a panel data estimation technique. An insignificant but positive relationship was found to exist between nondistortionary taxes and economic growth of sub – Saharan countries.

**Evidence from Developed Countries**

Ergete and Bev (2012) in their study found out that a higher provincial statutory corporate income tax rate is associated with lower private investment and slower economic growth. However, the Personal Income Tax rate did not affect the growth rate and investment once one controls for provincial fixed effects. Similar finding indicative of a flat decrease of rate of dynamic taxation’s level in the medium and long term was reported by. Same result was reported by Essoh (2011) that corporate income tax rates have no significant effect on Swedish economic growth. A significant negative effect of higher marginal tax rates on economic growth was the result of the research by Barry and Jules (2008) which underscores the importance of controlling for progressivity, convergence, and regional influences in isolating the effect of taxes on economic growth in the United States. Another study conducted by Kanghua et al. (2013) utilised descriptive statistics, multi-segment linear regression model and principal component analysis to analyse how economic growth and tax reform affect the total tax revenue and
structure. Their findings indicate that economic growth not only has a significant effect on the total tax revenue and structure changes, but also has a long-term stability relationship with total tax revenue. The same methodology by Merrill (2010) concluded a large and growing gap between U.S. policy and international norms.

 Evidence from Developing Countries

Saima et al. (2014) in a study utilised the use of Johansen’s co-integration tests for estimation of data and time series data from 1973 to 2010 for empirical analysis. They found out that high taxes in Pakistan have negative effects on consumption, negative effects on investment and finally negative effects on GDP. Another study carried out by Bonu and Pedro (2009) on Botswana also reports negative relationship between income tax rates boosted the economic growth of Botswana. Saibu (2015) adopted the model developed by Scully (2003) for Cote D’Ivoire; found out that there is a negative relationship between tax burden and rate of economic growth in Nigeria and South Africa. However and in contrast to the above, Sekou (2015) in his study utilised ordinary least square method to estimate the parameters, found out that a positive and significant coefficient was registered on log population on log volume of trade. He reports a positive correlation between the collection of taxes and growth in Mali. The Data Envelopment Analysis (DEA) was applied by Yaya (2013) and found out that higher taxes are associated with reduced economic growth. Thus switching the tax burden from direct to indirect taxes is likely to have a positive effect on growth. The existence of strong and positive effect of VAT revenue on the economic growth (GDP) of Pakistan was the findings by Bilal (2015) in his investigation using the Ordinary Least Square (OLS) Regression technique. Ravindra et al. (2011) in their own study adopted the use of descriptive technique in estimating and analysing the data and found out that Value added tax has been identified as the real goal maker by the Indian government in the coming years to foster growth and prosperity in the country. In contrast, Roshaiza et al. (2011) in their study found out that change in taxation does not have any effect on economic growth.

 Evidence from Nigeria

A research study conducted by Success et al. (2012) adopted the ordinary least square (OLS) technique and found out that the relationship that exist between petroleum profit tax and gross domestic product for the period covered is significantly positive in Nigeria. Osundina and Olanrewaju (2013) corroborated this position using the same technique. In another study, Ogbona and Appah (2012) adopted descriptive statistics and econometric models such as White test, Ramsey RESET test, Breusch Godfrey test, Jacque Berra test, Augmented Dickey Fuller test, Johansen test, and Granger Causality test in estimation, and found out that tax reforms is positively and significantly related to economic growth and that tax reforms granger cause economic growth. Akwe (2014) came to similar positive conclusion using the same OLS technique that non-oil tax revenue is statistically significant and affected economic growth positively. However, Otu and Theophilus (2013) came to the conclusions that tax revenue, although positive, did not affect economic growth significantly in Nigeria. Dickson and Presley (2013) in their study also using the Ordinary Least Squares (OLS) technique in estimating the equations, and the use of secondary data was also adopted in data analysis. Their study revealed that a well-articulated tax incentive will not only promote increase economic activity in the country but also stimulate foreign investors into the economy thereby improving revenue productivity and tax base of Nigeria’s tax system. Also, Confidence and Ebipanipre (2014) with similar technique suggests that the hypothesized link among corporate income tax, value added tax and economic growth indeed exist in the Nigerian context. Matthew (2014) in adopting a survey approach adds that reveals tax has a significant effect on the federal government budget implementation in Nigeria Edame and Okoi (2014) in a contradicting approach; in their study adopted Ordinary least square estimating technique, with the
use of a time series analysis data, and found out that there is a negative relationship between taxation and Investment, and also a negative relationship between taxation and GDP.

**Methodology**

This study adopts the Ex-post facto method of research. This is because data needed for analysis already exists. The study covered Nigeria’s economy with time series rather than cross-sectional data being used. Data relating to revenues from excise duties and GDP was collected for the years 2009-2018.

The study uses regression analysis technique to examine the effect of excise duties on the economic growth in Nigeria which was measured using its Gross Domestic Product (GDP). The various resources of data for this research study were mainly secondary. Data were obtained from Federal Board of Inland Revenue, State of Inland Revenue, Joint Tax Board, Nation Bureau of statistics, internet and certain journals and publications.

The data collected was analyzed using multiple regression and correlation technique.

Regarding correlation analysis, The Person’s product moment correlation coefficient (PPMC) was considered as follows.

\[
\frac{N \sum xy - (\sum x)(\sum y)}{\sqrt{[N \sum x^2 - (\sum x)^2][N \sum y^2 - (\sum y)^2]}}
\]

For the multiple regression analysis, the following model will be adopted so as to establish the relationship between tax revenue and GDP in Nigeria with the aim of establishing the effect of tax revenue on the economic growth in Nigeria.

\[ r = mx + b Y \]

\[
\frac{m \sum xy - (\sum x)(\sum y)}{n\sqrt{[\sum x^2 - (\sum x)^2]}}
\]

\[ b = y - mx \]

The correlation of determination used is given as follows:

\[ Coefficient of determination = r^2 \]

Taxation is represented by revenue from customs and excise duties and value added tax for the period under study.

Order to examine the effect of tax revenue on Nigerian economic growth, the following function will be used.

\[ GDP = \int (PPT + CED) \]

From the function above, the following model will be adopted to run the multiple linear regressions

\[ GDP = \alpha + \beta_1PPT + \beta_2CED \]

Where:

GDP: Gross Domestic Product
CED: Customs and Excise Duties
PPT: Petroleum Profit Tax
\( \alpha \) is constant
\( \beta_1, \beta_2 \) are the coefficient of the parameter estimate.

**Data Analysis and Presentation**

The secondary data obtained for the purpose of this research work is used to empirically investigate the effect of taxation on the economic growth in Nigeria from the year 2009-2018. The dependent variable is GDP while the independent variable is Excise Duties Petroleum Profit Tax.

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP (₦M)</th>
<th>PPT (₦M)</th>
<th>EXC</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>20,657,317.67</td>
<td>408,457</td>
<td>97,700</td>
</tr>
<tr>
<td>2010</td>
<td>24,296,329.29</td>
<td>414,305</td>
<td>107,969</td>
</tr>
<tr>
<td>2011</td>
<td>24,794,238.66</td>
<td>517,145</td>
<td>109,512</td>
</tr>
<tr>
<td>2012</td>
<td>29,205,782.96</td>
<td>639,200</td>
<td>100,634</td>
</tr>
<tr>
<td>2013</td>
<td>31,305,882.98</td>
<td>692,253</td>
<td>111,465</td>
</tr>
<tr>
<td>2014</td>
<td>38,457,478.55</td>
<td>783,513</td>
<td>145,578</td>
</tr>
<tr>
<td>2015</td>
<td>49,987,986.98</td>
<td>883,647</td>
<td>144,234</td>
</tr>
<tr>
<td>2016</td>
<td>54,723,465.87</td>
<td>904,905</td>
<td>226,811</td>
</tr>
<tr>
<td>2017</td>
<td>69,873,223.76</td>
<td>1,038,308</td>
<td>357,756</td>
</tr>
<tr>
<td>2018</td>
<td>78,409,654.67</td>
<td>1,600,605</td>
<td>341,498</td>
</tr>
</tbody>
</table>


**Data Analysis**

The data collected were analyzed using multiple correlation and regression technique as stated in the methodology. To ensure effective running and analysis of data, the following linear regression model was formulated.

**Table A: SUMMARY OUTPUT**

<table>
<thead>
<tr>
<th>Regression Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multiple R</td>
</tr>
<tr>
<td>R Square</td>
</tr>
<tr>
<td>Adjusted R Square</td>
</tr>
<tr>
<td>Standard Error</td>
</tr>
<tr>
<td>Observations</td>
</tr>
</tbody>
</table>

**Table B: ANOVA**

<table>
<thead>
<tr>
<th>Df</th>
<th>SS</th>
<th>MS</th>
<th>F</th>
<th>Significance F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>2</td>
<td>3.05585E+15</td>
<td>1.52793E+15</td>
<td>80.82224</td>
</tr>
<tr>
<td>Residual</td>
<td>7</td>
<td>1.13429E+14</td>
<td>1.89048E+13</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>9</td>
<td>3.16928E+15</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Coefficients</th>
<th>Standard Error</th>
<th>t Stat</th>
<th>P- value</th>
<th>Lower 95%</th>
<th>Upper 95%</th>
<th>Lower 95.0%</th>
<th>Upper 95.0%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>2632855.977</td>
<td>3987995.733</td>
<td>0.660195</td>
<td>284</td>
<td>0.5336</td>
<td>-7125418</td>
<td>12391130</td>
</tr>
<tr>
<td>PPT</td>
<td>26.82341 413</td>
<td>8.2719337 67</td>
<td>3.242701753</td>
<td>0.0176</td>
<td>27</td>
<td>6.582721</td>
<td>47.06411</td>
</tr>
<tr>
<td>Exc. Duty</td>
<td>107.4979989</td>
<td>28.26498806</td>
<td>3.803221097</td>
<td>0.0089</td>
<td>34</td>
<td>38.33606</td>
<td>176.6599</td>
</tr>
</tbody>
</table>
Table C: RESIDUAL OUTPUT

<table>
<thead>
<tr>
<th>Observation</th>
<th>Predicted GDP</th>
<th>Residuals</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>25352382.01</td>
<td>-1056052.717</td>
</tr>
<tr>
<td>2</td>
<td>28276771.33</td>
<td>-3482532.668</td>
</tr>
<tr>
<td>3</td>
<td>30596335.91</td>
<td>-1390552.945</td>
</tr>
<tr>
<td>4</td>
<td>33183709.32</td>
<td>-1877826.341</td>
</tr>
<tr>
<td>5</td>
<td>39298693.33</td>
<td>-841214.7795</td>
</tr>
<tr>
<td>6</td>
<td>41840151.77</td>
<td>8147329.711</td>
</tr>
<tr>
<td>7</td>
<td>51287226.16</td>
<td>3436239.71</td>
</tr>
<tr>
<td>8</td>
<td>68941875.54</td>
<td>931348.2235</td>
</tr>
<tr>
<td>9</td>
<td>6843742778</td>
<td>14357959</td>
</tr>
<tr>
<td>10</td>
<td>82276898.36</td>
<td>-3867243.694</td>
</tr>
</tbody>
</table>

Findings of the Study

From the analysis presented above, the relationship between the Gross Domestic Product (GDP) and revenue from Petroleum Profit Tax, Custom and Excise was established. The significance of GDP is to measure the level of economic growth in Nigeria. Multiple regression and correlation technique was used with the aid of Microsoft excel using ANOVA.

The summary of the overall results of tax revenue is shown in table A. It shows that tax revenue has made a significant effect on the economic development in Nigeria in the period under study. The coefficient of determination reveals a value of 96.4% which shows that there is a strong relationship between the GDP and tax revenue in Nigeria. This implies that tax revenue has explained up to 96.4% of the variation in economic growth of Nigeria and the remaining 3.6% is covered by other factors that are beyond the scope of this study.

The overall significance level was 0.000458 which is far below 5%. This also suggests that there is a strong relationship between the GDP and tax revenue. This also explains that the probability of the regression output is not random.

DISCUSSION OF THE FINDINGS

The Custom and Excise Duty within a long run period of 2009 to 2018 shows a positive significant relationship with gross domestic product, as the coefficient is 107.4979989 with a standard error of 28.26498806, while the p value is 0.008934 (89.34%), this implies that for every one percent increase in Petroleum Profit Tax the gross domestic product will increase by 0.008934 percent. Besides, this also implies that N1 increase in Custom and Excise duty will bring about increase in GDP N107.4979989.

This result signifies that taxes realized from petroleum companies in Nigeria are contributing positively to the growth of the economy. This may be as a result of the effectiveness of the bodies in charge of the collection of such taxes at federal level that is the Federal Inland Revenue Service. As a result of this, the null hypothesis which states that custom and excise duty has no significant effect on the economic
growth in Nigeria will be rejected while the alternative hypothesis which states that custom and excise
duty has significant effect on the economic growth in Nigeria is accepted.

During the long run period 2009 to 2018, the coefficient for Petroleum Profit Tax is 26.82341413, with
standard error of 8.271933767 while the p value is 0.017627 (17.62%), this implies that every one
percent increase in petroleum profit tax is likely to increase gross domestic product by 0.017627 percent
and besides, any increase in Petroleum Profit Tax by N1, there will be increase in the GDP by
N26.82341413. This shows there is positive and significant relationship between petroleum profit tax
and gross domestic product. In Nigeria, high petroleum profit tax is instrumental to the growth of the
economy, that is, the Nigerian government should ensure that companies dealing with petroleum both in
the upstream and downstream sector do not in any way evade tax, results indicates that it has positive
influence on the economy. As a result of this, the null hypothesis which states that petroleum profit tax
has no significant effect on economic growth in Nigeria is rejected while the alternative hypothesis
which states that petroleum profit tax has significant effect on economic growth in Nigeria is accepted.

CONCLUSION
The findings of this study contribute towards a better understanding of tax revenue and economic
growth in Nigeria. GDP and two other variables that represent petroleum profit tax, custom and excise
duties were developed to test which factors best describes economic growth in Nigeria. The result
shows that petroleum profit tax, and custom and excise duties are significant variables in explaining the
economic growth in Nigeria.

The implication of the findings is essentially for policy makers, for example, the Federal Board of
Inland Revenue as most of the variables shows a positively significant relationship with economic
growth, meaning that there should be no area in tax collection that should be taken lightly as they have
all proven to be major variables in connection to the growth of the economy.

Recommendations
The following recommendations emerged from the findings and conclusions of the study:
1. Government should ensure that revenue generated through taxation is channeled towards
   infrastructural development and building capital stock to boost economic growth in Nigeria;
2. Government should also engage in a complete re-organization of administrative machinery of
taxation in order to reduce incidence of tax avoidance and tax evasion to the barest minimum so as
to improve the efficiency of taxation and bring more people and establishments into the tax net.
3. The institution of Tax Identification Number (TIN) which is a registration and storage of tax payers
data in Nigeria is a welcomed idea but for it to be successful it should be structured in such a way
that will make all potential tax payers liable.

REFERENCES
1. Abata, M. A., (2014). The effect of tax revenue on Nigerian economy (Case of Federal Board of


