Taxation and Nigerian Economic Growth Process

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Abstract

This study empirically investigates the impacts of taxation on the growth of the economy. The Nigerian government has embarked on monitoring its collection but the economy has failed to experience the desired growth that will lead to the targeted economic development. The chosen economic growth indicator, the real Gross Domestic Product (RGDP), is specified to depend on the taxation indicators which are the petroleum profit tax (PPT), company income tax (CIT), customs and excise duties (CED), value added tax (VAT). The study employed the use of both simple and multiple linear regression analysis of the ordinary least square method. These were used to determine the impact and relationship between the endogenous variable, RGDP, and the exogenous variables, PPT, CIT, CED and VAT. It was discovered that if all the exogenous variables were tested individually on the economic growth, they show a significant impact individual on economic. The F-statistic shows that the overall model is statistically significant. This paper therefore recommends that the fiscal laws and regulations of the government should be strengthened so as to checkmate tax offenders, improve tax administrative machinery and transparency of government officials that are involved in tax revenue management.

Keywords: real Gross Domestic Product, Petroleum Profit Tax, Company Income Tax, Customs and Excise Duties, Value Added Tax, Economic Growth

1. Introduction

Taxation is an essential part of a country’s investment and growth plan. 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 (Appah, 2004; Appah and Oyandonghan, 2011). The funds provided by tax are used by the states to support certain state obligations such as education systems, health care systems, and pensions for the elderly, unemployment benefits, and public transportation.

Tax is a major player in every society of the world (Azubike, 2009). The tax system is an opportunity for government to collect additional revenue needed in discharging its pressing obligations. A tax system offers itself as one of the most effective means of mobilizing a nation’s internal resources and it lends itself to creating an environment conducive to the promotion of economic growth. Nzotta (2007) argues that taxes constitute key sources of revenue to the federation account shared by the federal, state and local governments.

A tax policy represents key resource allocator between the public and private sectors in a country. Anyanfo (1996) and Anyanwu (1997) 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. Tosun and Abizadeh (2005) 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.

The economic growth is a gradual and steady change in the long-run which comes about by a general increase in the rate of savings and population (Jhingan 2005). It has also been described as a positive change in the level of production of goods and services by a country over a certain period of time. Economic growth is measured by the increase in the amount of goods and services produced in a country. An economy is said to be growing when it increases its productive capacity which later yield more in production of more goods and services (Jhingan 2003). Economic growth is usually brought about by technological innovation and positive external forces. It is the yardstick for raising the standard of living of the people. It also implies reduction of inequalities of income distribution.

Taxation plays a crucial role in promoting economic activity and growth. Through taxation, government ensures that resources are channelled towards important projects in the society, while giving succour to the weak. The role of taxation in promoting economic activity and growth is not felt primarily because of its poor administration.

Taxation has been seen to be a major source of revenue for most economies including Nigeria. The Nigerian government at all levels has embarked on monitoring its collection. But coupled with the collections,
the economy has failed to experience the desired growth that will lead to the targeted economic development. Nigeria taxation system has been one of the most controversial and rigid pillar of our economy.

It must be noted that some of the measures taken so far by the government to improve the economy have not produced good results. The naira exchange rate has not been able to stimulate the economy. The poverty alleviation programme aimed at reducing the rate of poverty among Nigerians was introduced. This programme covered provision of jobs for able and unemployed youths, provision of loans to small and medium scale enterprises at a minimum lending rate.

With all these measures and policies taken so far, Nigerian economy has not shown any appreciable progress. Given this gap, the study seeks to examine the effect of taxation and the interactions that exists between taxation and the economy.

As a result of this, the study tends to address the following:

What are the contributions of the taxation in the Nigerian economy? Has the tax system been able to achieve its main objective of reducing inequalities? Will the achievements of the tax system, if any, continue to increase the development of the economy? Does taxation positively affect the economic growth in Nigeria? What is the direction of causation between taxation and economic growth in Nigeria?

The broad objective of this study is to empirically investigate the impacts of taxation on the growth of the economy. The specific objectives are to

(1) Determine the relationship that exists between economic growth and taxation in Nigerian
(2) Examine the impact of the taxation on the Nigerian economic growth
(3) Proffer recommendation to enhance the performance of the taxation.

There cannot be a better time to work on taxation as a catalyst for economic development in Nigeria than now especially with the growing tax consciousness among various governments in Nigeria. Over the years, a lot of economic scholars within and outside the country have advanced research on topics related to this research work.

This study intends to take some steps and advanced further from the knowledge of many scholars by taking a critical look on taxation as a catalyst for economic development in Nigeria. Through this research and the policies that would be recommended, government would be properly guided on how to run a smooth and effective tax system and policies that would propel the socio and economic growth rate of the country. This research work is also important because it aims at proving recommendations to address the savagery impact of poor taxation and tax system as an aid to economic and social development in Nigeria.

This research work would contributes to the empirical literature by focusing on the effect of each of the tax indicators on economic growth

This research is a time series study covering the period between 1981 and 2012. The rest of this study is divided into four sections. Section two provides the literature review and theoretical framework. Section three discusses the methodology, and section four presents discussion of result. Section five concludes and proffers recommendation for the study.

2 Literature Review
2.1 Conceptual Framework
Taxation is basically the process of collecting taxes within a particular location. In this regard, tax has been defined as “a monetary charge imposed by the Government on persons, entities, transactions or properties to yield revenue”. It has also been defined as ‘the enforced proportional contributions from persons and property, levied by the State by virtue of its sovereignty for the support of Government and for all public needs” (National Tax Policy).

Taxes may also be defined as a "pecuniary burden laid upon individuals or property to support government expenditure. A tax "is not a voluntary payment or donation, but an enforced/compulsory contribution, exacted pursuant to legislative authority" and is "any contribution imposed by government”, whether under the name of duty, custom excise, levy or other name. Taxes are therefore defined as a financial charge or levy imposed upon an individual or legal entity by a State or a component of the State.

Anyanwu (1997) defined taxation as the compulsory transfer or payment (or occasionally of goods and services) from private individuals, institutions or groups to the government. The main purpose of purpose of tax is to raise revenue to meet government expenditure and to redistribute wealth and management of the economy (Ola, 2001; Jhingan, 2004; Bhartia, 2009).

There are three basic objectives of taxation which are; raising revenue for the government, regulating the economy and economic activities, and controlling income and employment (Anyanwu, 1993).

Nzotta (2007) asserted that taxes generally have allocational, distributional and stabilization functions. 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 public sectors 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. According to Musgrave and
Musgrave (2004), the distribution function deals with the distribution of income and wealth to ensure conformity with what society considers a fair or just state of distribution. The stabilization of 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 payments. Nwezechukwu (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 depend largely on the ability to design tax plans and administration as well as the willingness and patriotism of the governed.

Economic growth has been described as sustained increase in per capita national output or net national product over a long period of time. It also implies that the rate of increase in total output must be greater than the rate of population growth (Dwivedi 2006). Economic growth occurs when a nation’s production possibility frontier (PPF) shifts outward. Economic growth, being the growth in output per capita, is an important objective of government since it is associated with rising average real incomes and living standard.

The Robert Solow neo-classical growth model posits that growth depends on capital accumulation – increasing the stock of capital goods to expand productive capacity, and the need for sufficient saving to finance increased allocation of resources towards investment.

Bencivenga and Smith (1991) asserted that economic growth will increase if more savings are channelled into the activity with high productivity while reducing the risk associated with liquidity needs. This will show that banks provide the benefits of eliminating unnecessary liquidations. Studies have shown that countries with well-developed financial institutions tend to grow faster, particularly the size of the banking system and the liquidity of the stock market tend to have strong positive impact on economic growth. The financial services provided by these institutions are essential drivers for innovation and economic growth.

Nnanna (2004) stated that the rate of output growth is determined by the accumulation of capital, the efficiency of resource utilization and the ability to acquire and adopt modern technology. He concluded that the degree of financial system development is crucial for attracting and sustaining capital flows, savings mobilization and utilization.

2.2 Tax Structures in Nigeria

A good tax structure plays a multiple role in the process of economic development of any nation including Nigeria (Appah, 2010). According to the National Tax Policy, a tax is usually a monetary charge on a person’s or entity’s income, property or transaction and is usually collected by a defined authority at the Federal and State Level. Taxes may be direct or indirect and may be imposed on individual basis, on entities, on assets and on transactional basis. In Nigeria, taxes are imposed on the following bases:

(i) On Individuals
1. Personal Income Tax – imposed on the income of all Nigeria citizens or residents who derive income in Nigeria and outside Nigeria
2. Development Levy – a flat charge imposed on every taxable person typically within a State

(ii) On Companies (Corporate Entities)
1. Companies Income Tax – imposed on the profits of all corporate entities who are registered in Nigeria or derive income from Nigeria, other than those engaged in petroleum operations;
2. Petroleum Profits Tax – imposed on the profits of all corporate entities registered in Nigeria or who derive income from oil and gas operations in Nigeria;
3. Education Tax – imposed on all corporate entities registered in Nigeria;
4. Technology Levy – imposed on selected corporate entities (telecommunication companies, internet service providers, pension managers, banks, insurance companies and other financial institutions within a specified turnover range) in Nigeria to support nationwide development of technology infrastructure and capacity.

(iii) On Transactions
1. Value Added Tax – imposed on the net sales value of non-exempt, qualifying goods and services in Nigeria;
2. Capital Gains Tax – imposed on capital gains derived from sale or disposal of chargeable assets; and
3. Stamp Duty – imposed on instruments executed by individual and corporate entities in Nigeria.
4. Excise Duty – imposed on the manufacture of goods within the Government territory collected by the Nigeria Customs Service
5. Import Duty - imposed on the import of goods into the Government territory collected by the Nigeria Customs Service
6. Export Duty – imposed on the export of goods outside the Government territory collected by the Nigeria Customs Service
(iv) On Assets
This includes taxes, such as property tax and other such taxes imposed on land or landed property.

2.3 The Role of Taxation in Wealth Creation and Employment
According to Nzotta (2007), four key issues must be understood for taxation to play its functions in the society.
1. Tax is a compulsory contribution made by the citizens to the government and this contribution is for general common use.
2. Tax imposes a general obligation on the tax payer.
3. There is a presumption that the contribution to the public revenue made by the tax payer may not be equivalent to the benefits received.
4. Tax is not imposed on a citizen by the government because it has rendered specific services to him or his family.
Taxation can play a vital and pivotal role in the creation of wealth and employment in the Nigerian economy, in the following ways:
(i) Stimulating growth in the economy, by increased trade and economic activities. In this regard, tax revenues should be used to provide basic infrastructure such as power, roads, transportation and other infrastructure which would facilitate trade and other economic activities.
(ii) Stimulating domestic and foreign investment - where the tax system creates a competitive edge for investments in the economy, local investments would be retained in the country, while also attracting foreign investments. Increased investment would generate employment and provide wealth in the hands of individuals.
(iii) Revenue generated from taxes can also be applied directly to identified sectors of the Nigerian economy to stimulate such sectors. In this regard, the sectors must be those which have potential for creating employment, developing the economy and creating wealth for the greater benefit of citizens and government of this country.
(iv) Revenue earned from taxes can be used to develop effective regulatory systems, strengthen financial and economic structures and address market imperfections and other distortions in the economic sector. Taxes realised from specific sectors of the economy can be channelled back to those sectors to encourage their continued growth and development.
(v) Redistribution of income, whereby tax revenue realised from high income earners is used to provide public infrastructure and utilities to the lowest income earners. Taxes may also be used to create a social security net for short and long terms relief to indigent members of society and other classes of persons who may require such intervention by the Government. (National Tax Policy)

2.4 Empirical framework
The relationship between indirect taxation and economic growth has been examined severally by different researchers. The empirical studies of Anyanwu (1997), Engen and Skinner (1996), Tosun and Abizadeh (2005) and Arnold (2011) were used as the basis for different explanations of taxes on economic growth. Engen and Skinner (1996) in their study of taxation and economic growth of U.S. economy, large sample of countries and use of evidence from micro level studies of labour supply, investment demand, and productivity growth. Their result suggests modest effects on the order of 0.2 to 0.3 percentage points’ differences in growth rates in response to a major reform. They stated that such small effects can have a large cumulative impact on living standards. 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 GDP per capita. It is shown that while the shares of personal and property taxes have responded positively on economic growth, shares of the payroll and goods and services taxes have shown a relative decline. Arnold (2011) in their study found that short term recovery requires increase in demand while long run growth requires increase in supply. As short term concessions can be hard to reverse, this implies that policies to alleviate this crisis could compromise long run growth.

According to the study of Umoru and Anyiwe (2013), Myles (2000) empirically ascertained that direct tax policy is a stimulant to economic growth, and also Barry and Jules (2008) found that direct taxes impacted negatively on economic growth in the US. Margalioth (2003) reported that direct taxation is harmful to growth in endogenous growth models. Tosun and Abizadeh (2005) reported that the share of personal income tax responded positively to economic growth. McCarten (2005) found that the ratio of direct tax to GDP and the ratio of direct tax to total tax stimulated real GDP growth in Pakistan. Tosun and Abizadeh (2005) reported that corporate income taxes are the most harmful to growth as well as personal income taxes. Lee and Gordon (2005) using cross-country data found that statutory corporate tax rates are significantly and negatively correlated with cross sectional differences in average economic growth rates having controlled for other determinant of economic growth. Djankor et al (2009) found strong negative effect of personal income tax on output growth.
Scarlett (2011) established empirically that an increase in the share of taxes from personal taxable income has the greatest harm on per capital GDP over time and correction to equilibrium from such an impact would take up to nine years. Arnold (2011) found that personal income taxes are progressive with marginal tax rates that are higher than their average rate with the implication of discouraging savings and labour supply. Arisoy and Unlukaplan (2010) tested the effect of direct-indirect tax composition on economic growth in Turkey. The empirical finding of their study holds that direct taxes have no significant effect on economic growth. Aamir, Qayyum, Nasir and Hussain (2011) found significant impact of direct taxation on the total revenue of the economy of India.

Chelliah (1989) observed that an increase in indirect taxation compared to direct taxation reduces economic growth more than direct taxation does. Aamir et al (2011) found that increasing revenue from indirect taxes is more conducive for economic growth in the long run in Pakistan. Ajakaiye (1999) found that VAT has a negative effect on economic growth in Nigeria. In a more broad study, Romer and Romer (2000) resolved that progressive taxation affords policy makers the opportunity to pursue counter-cyclical fiscal policies which drives economic growth. Specifically, they are of the view that VAT can only increase growth when enforcement and implementation procedures are effective. This position was strengthened by McCarten (2005). According to Bird (2003), the most effective tax for developing countries is one that produces the largest amount revenue in the least costly and disproportionate manner. He identified broad based VAT as an ideal tax that suits the situation. Emran and Stiglitz (2005) argued that the recent resolution that favours the gradual reduction and the subsequent elimination of sales taxes in favour of VAT as an instrument of indirect taxes in developing economies is worrisome. According to him, it is built on a fragile result derived from an incomplete model that relegates the presence of active informal sector.

From the disaggregated empirical review, it was discovered that studies on the economic growth effects of direct taxation are divided along two conflicting perspectives with majority inclining towards the negative effects of direct taxation on economic growth. On the other hand, there is a consensus that indirect taxation is growth enhancing.

3 Methodology
3.1 Model Specification
The chosen economic growth indicator is the real Gross Domestic Product (RGDP) is specified to depend on the taxation indicators which are the petroleum profit tax (PPT), company income tax (CIT), customs and excise duties (CED), value added tax (VAT).

Intrinsic linearity is used for the relationship between real GDP and its determinants. Thus the functional relationship is expressed as follows

\[ RGDP = f(PPT, CIT, CED, VAT) \]

The structural form is expressed as

\[ RGDP = a_0 + a_1PPT + a_2CIT + a_3CED + a_4VAT + \mu \]

Each of the independent variable is also regressed against the endogenous variable (RGDP) in order to separately know the impact and relationship between each of the independent with the dependent variable.

\[ RGDP = a_0 + a_1PPT + \mu \]
\[ RGDP = a_0 + a_2CIT + \mu \]
\[ RGDP = a_0 + a_3CED + \mu \]
\[ RGDP = a_0 + a_4VAT + \mu \]

Where

- \( RGDP \) = real GDP
- PPT = petroleum profit tax
- CIT = company income tax
- CED = customs and excise duties
- VAT = value added tax
- \( \mu \) = stochastic variable or error term incorporating other factors that are not considered in the model.
- \( a_0 \) = constant term
- \( a_1-a_4 \) = parameters to be estimated

3.2 A Priori Expectation
This explains the theoretical linkage on the signs and magnitudes of parameter of the specified functions. A priori expectations are determined by the principles of economic theory guiding the economic relationship among the variables being studied. There exist a significantly strong positive relationship between real interest rate and economic growth.

\[ a_1 > 0, \quad a_2 > 0, \quad a_3 > 0, \quad a_4 > 0 \]

3.3 Sources of Data
The needed data for the model are real gross domestic product and, petroleum profit tax (PPT), company income tax (CIT), customs and excise duties (CED) and value added tax (VAT). The data cover the period of 1976-2006.
The sources of data are as follows:

Real Gross Domestic Product (RGDP): This study used real GDP as a precedence laid by most past studies to measure economic growth. The real GDP determine the actual level of productivity in an economy. Data was obtained from Central Bank of Nigeria (CBN) Annual Statistical Bulletin and National Bureau of Statistics.

The petroleum profit tax (PPT), company income tax (CIT), customs and excise duties (CED) and value added tax (VAT) were chosen being the type of income mainly collected by the federal government. Data were obtained from Central Bank of Nigeria (CBN) Annual Statistical Bulletin and National Bureau of Statistics.

3.4 Method of Data Analysis

Both single and multiple regression analysis of the ordinary least square (OLS) regression analysis were used. The OLS can be used in determining the impact and relationship that exist between two or more variables. Test of statistical adequacy, such as the adjusted R-square, t-statistic, F-statistic, Durbin-Watson will be carried out to assess the relative significance of the variables, the desirability and reliability of model estimation parameters.

4. Presentation and Interpretation of Data

This section focuses on the presentation of data, empirical analyses of specified models of the research work, and the interpretation of the model estimation results.

Table 4.1 Regression Result 1

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>2289.548</td>
<td>853.6691</td>
<td>2.682009</td>
<td>0.0179</td>
</tr>
<tr>
<td>PPT</td>
<td>1.592929</td>
<td>0.739674</td>
<td>2.153556</td>
<td>0.0492</td>
</tr>
<tr>
<td>CIT</td>
<td>12.35591</td>
<td>25.29529</td>
<td>0.488467</td>
<td>0.6328</td>
</tr>
<tr>
<td>CED</td>
<td>7.099195</td>
<td>13.66684</td>
<td>0.519447</td>
<td>0.6116</td>
</tr>
<tr>
<td>VAT</td>
<td>27.54609</td>
<td>36.80556</td>
<td>0.748422</td>
<td>0.4666</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.989</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted R-squared</td>
<td>0.986</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F – statistic</td>
<td>310.269</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prob (F – statistic)</td>
<td>0.0000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Durbin Watson</td>
<td>1.704</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

There is positive relationship between each of the exogenous variables and the dependent variable based on the positive signs of the coefficient of the variables.

Only the petroleum profit tax (PPT) is statistically significant because the probability of the t-statistic tends to one (1) while all other exogenous variables are statistically insignificant since their probabilities are more than ten (10).

The adjusted R square indicates that 99 percent of the total variations in the dependent variables are explained by the exogenous variables. The remaining 1 percent is explained by other factors not included in the model. The F-statistic which measures the strength of the regression shows that the overall statistic is statistically significant which therefore proves the goodness of fit of the variables and also a joint significance of the explanatory variables.

Table 4.2 Regression Result 2

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>1743.520</td>
<td>816.9351</td>
<td>2.134221</td>
<td>0.0411</td>
</tr>
<tr>
<td>PPT</td>
<td>9.509234</td>
<td>0.591926</td>
<td>16.06490</td>
<td>0.0000</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.896</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted R-squared</td>
<td>0.892</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F – statistic</td>
<td>258.08</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prob (F – statistic)</td>
<td>0.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Durbin Watson</td>
<td>1.485</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Petroleum profit tax (PPT) is statistically significant because the probability of the t-statistic tends to one (1) and also positively related to economic growth.

The adjusted R square indicates that 89 percent of the total variations in the dependent variable, RGDP are explained by the exogenous variables PPT. The remaining 11 percent is explained by other factors not included in the model. The F-statistic shows that the model employed is statistically significant.
Company income tax (CIT) is statistically significant because the probability of the t-statistic tends to one (1) and also positively related to economic growth.

The adjusted R square indicates that 96 percent of the total variations in the dependent variable, RGDP are explained by the exogenous variable CIT. The remaining 4 percent is explained by other factors not included in the model. The F-statistic shows that the model employed is statistically significant.

Customs and excise duties (CED) is statistically significant because the probability of the t-statistic tends to one (1) and also positively related to economic growth.

The adjusted R square indicates that 92 percent of the total variations in the dependent variable, RGDP are explained by the exogenous variable CED. The remaining 8 percent is explained by other factors not included in the model. The F-statistic shows that the model employed is statistically significant.

Value added tax (VAT) is statistically significant because the probability of the t-statistic tends to one (1) and also positively related to economic growth.

The adjusted R square indicates that 98 percent of the total variations in the dependent variable, RGDP are explained by the exogenous variables VAT. The remaining 2 percent is explained by other factors not included in the model. The F-statistic shows that the model employed is statistically significant.

5. Conclusion

It is incontestable that tax has a great impact on the growth of the economy. It was discovered that if all the exogenous variables were tested individually on the economic growth, they show a significant impact individually on economic growth. Collectively, only the PPT is statistically significant, this may be as a result of the non-compliance of tax payers which can also be traced to poor administration from the part of the government in using the tax revenue for the betterment of the economy.

The F-statistic of the aggregate model, the overall model is statistically significant which indicate that an increase or decrease in any of these taxes will have a significant effect on the growth of the economy.

The positive and significant relation between the GDP and the tax explanatory variables indicates that policy measures to expand tax revenue through more effective tax administration will impact positively in growing the economy.

The fiscal laws and regulations of the government should be strengthened so as to checkmate tax offenders, improve tax administrative machinery and transparency of government officials that are involve in tax revenue management.

There is the need for Nigerian government to increase the willingness of the tax payers in voluntarily
complying with tax payment so that there can be improvement on tax revenue generated from other sources apart from petroleum profit tax which can be said to be as a result of nature. This could be through infrastructural development which will encourage individual and corporate taxpayers to willingly comply with prompt payment of their taxes as this could lead to a significant increase in the actual tax revenue for each categories of tax.

References


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