

TAX REVENUE ON ECONOMIC DEVELOPMENT IN NIGERIA

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Abstract

This study investigated the effect of tax revenue on economic development in Nigeria. The objectives of the study among others were to ascertain the influence of Hydrocarbon tax on Per Capita Income in Nigeria, determine the effect of Corporate Income Tax on Per Capita Income in Nigeri. The population of the study was conducted on Federal Republic of Nigeria under the National Bureau of Statistics, Federal Inland Revenue Services, Central Bank of Nigeria (CBN) and Federal Ministry of Finance. The study period covered was thirty (30) years spanning from 1994 to 2023. This study utilized Descriptive statistics, Unit Root Test and Ordinary Least Square Regression method with the aid of E-View 12. The findings of the study were that the effect of hydrocarbon tax on per capita income in Nigeria is statistically positive and significant, the effect of corporate income tax on per capita income in Nigeria is statistically positive and significant, The study concluded that the effect of tax revenue on economic development in Nigeria is statistically significant for the period spanning from 1994 – 2023. Therefore, the study suggested amongst others that, government should intensify efforts at developing economy through tax payers' revenue because, this study affirmed that hydrocarbon tax and corporate income tax has positive and significant effect on economic development in terms of human capital index and per capita income.

Introduction

The rate at which economies are developing leads to inequality among nations worldwide. Along with a shift in the institutional and technical arrangements involved in production, economic progress guarantees an increase in output (Satope& Akanbi, 2014). Economically developed nations have made progress in a number of areas that result in changes to social, cultural, educational, political, and economic norms (Mick, 2007). According to Belshaw and Kanayo et al (2021), most people can make a living thanks to advancements in economic development. In order to achieve sustainable economic development, the government makes sure that money consistently flows into its treasuries. One way it does this is through taxation, which it uses to raise the money needed for public spending, redistribute income, stabilize the economy, overcome externalities, and influence resource allocation while also being beneficial to the economy (Stoilova&Patonov, 2012). Without a doubt, the structure and nature of the economy have an impact on the kinds of taxes that can be levied as well as the power to apply them. How economic transformation affects the evolution of the tax system is the main emphasis of the conventional economic approach to taxes and development (Besley & Persson, 2013). This in turn promotes investments in the administrative capacity to collect taxes, permits the introduction of additional taxes and an increase in tax income, and increases the demand for infrastructure as well as for redistributive taxation and spending among the populace (Bräutigam, 2008; Lindert, 2004).

Taxation is a crucial fiscal policy tool that governments can use to raise money and support economic growth. The basic tasks of governments, such as providing public goods and services, maintaining law and order, defending against external invasion, and regulating commerce and business to assure social and economic maintenance, are supported by tax income. Efficient tax revenue collection lessens an economy's reliance on external flows, which have been shown to be extremely erratic. Taxes also give governments more freedom to plan and direct their development agendas, encourage states to enhance their domestic economic policies, which makes it easier for foreign direct investments to come in, and fortify the ties of accountability that bind them to their constituents. A tax system's main objective is to generate enough revenue to pay for the government's essential spending on goods, and taxes are generally thought to be the best way to strengthen the public sector's capacity and pay off debt (Okoye & Ezejiolor, 2014). Notwithstanding the issues with the current tax structure, taxes have historically been imposed not merely to generate state revenue but also to reallocate wealth and regulate the economy (Ojo, 2008). Therefore, it is believed that a tax system is an effective instrument that the government can use to support socioeconomic growth (Mathew, 2014). Every country's government is tasked with a plethora of duties, many of which are impacted by the revenue it receives from various sources, including taxes. Taxes are the main source of funding for the Nigerian government. Taxes are typically imposed by the government and must be paid by individuals or businesses. One of the government's main sources of income and a substantial amount of revenue is taxes. Since taxes are a mandatory fee, they are seen as distinct from other sources of government funding. Taxes were primarily imposed in the 19th century to generate income for the government, but they are now recognized to be utilized for a variety of purposes outside of finance.

In order for the government to accomplish its macroeconomic goals, taxes—a significant source of income for all three levels of government—are crucial. Taxation is a procedure that the government devised to exercise control over taxes and tax collection, claims Abomaye-Nimenibo (2017). In order to assist the country in accomplishing some of its economic and social goals, such as providing basic infrastructure and services like high-quality roads and effective health care, it is therefore regarded as the redistribution of wealth from the private to the public sectors of the economy.

Stupak (2019) asserts that the objective of fiscal stimulus is to raise the economy's aggregate demand. Fiscal stimulus, however, can lead to an unsustainable high demand for goods and services that the economy cannot provide if it is deployed too forcefully or when the economy is already running close to capacity. Inflation is the tendency for prices to increase when the demand for goods and services exceeds the supply. An additional possible effect of government fiscal stimulus in Nigeria is a rise in the value of the US dollar and a corresponding rise in the trade deficit, which partially offsets the increase in economic activity and raises interest rates. The government must increase the size of its deficit and borrow money to support fiscal stimulus, which can be achieved by either raising spending or lowering tax collection. In general, rising interest rates discourage economic activity by making it more costly for businesses to borrow money and invest in their companies. This might result in a rise in interest rates and a subsequent decline in investment and consumer expenditure (Stupak, 2019)

In order to have a more robust view of the study, this study was designed to investigate the effect of tax revenue on Nigeria Economic Development using company income tax, petroleum profit tax, value added tax, and the human development index and per capital

income as independent variables. Many researchers (Stupak 2019 and Ngerebo& Masa, 2012) have worked on the effect of taxation on some indicators, and the majority have used GDP and inflation.

There is still a research gap that needs to be filled even though the relationship between tax revenue and economic development in Nigeria has been the subject of numerous empirical studies. Without taking into account the various facets of tax revenue and more thorough measures of economic development, previous research has mostly concentrated on the impact and correlation, whether positive or negative between tax revenue and economic development as well as the aggregate measures of tax revenue and general economic indicators, like GDP growth rates. The specific effects of the Value Added Tax (VAT), Corporate Income Tax (CIT), and Petroleum Profit Tax (PPT) on economic development have not received much attention in the literature. A fuller understanding of the unique effects of each aspect of tax revenue on economic development is impeded by the tendency of most research to analyze the overall tax revenue without breaking down the various tax categories. Furthermore, there is a dearth of thorough research that integrates the two facets to offer a comprehensive knowledge of the relationships between Nigeria's economic progress and tax income. According to Adedeji et al. (2023), there is a positive relationship between tax revenue and economic development. They also highlighted how efficient tax administration can boost resource mobilization and encourage investment. On the other hand, Akande and Oloyede (2020) highlighted the detrimental connection between economic development and tax evasion, stressing the necessity of strong enforcement measures to reduce tax evasion and enhance revenue collection.

Additionally, the majority of earlier research has used aggregate tax revenue statistics without taking into account the effectiveness of tax administration or the precise sources of tax revenue. Formulating targeted policies to improve revenue collection and spur economic development requires an understanding of the major factors influencing tax revenue generation, such as the contribution of various tax types (such as corporate income tax, value-added tax, and petroleum profit tax) and the effectiveness of tax administration procedures. In order to better understand the dynamics of tax revenue generation in Nigeria, this study will attempt to address the issues raised by the Nigerian Bureau of Statistics (2019), which emphasizes the need for more thorough assessments of tax revenue sources and administration procedures. There is a dearth of research that explores the unique effects of particular tax types and comprehensive measures of economic development, as noted by the United Nations Development Programme (UNDP) in their Human Development Reports (UNDP, 2019). Adedeji, et al (2023) primarily focused on the relationship between overall tax revenue and GDP growth in Nigeria.

Furthermore, much earlier research has concentrated on the immediate correlations between tax revenue and economic metrics like GDP growth. Research on the long-term effects of tax income on other economic factors, such as employment rates, investment levels, and sectoral GDP contributions, is needed. Despite being a significant measure, GDP ignores the complex facets of progress. To give a more thorough evaluation of the connection between tax revenue and development outcomes, it is necessary to include more comprehensive indicators of economic growth, such as the Human Development Index (HDI) and per capita income. This study can provide a more comprehensive picture of how tax income affects different aspects of economic development by combining these metrics. A more thorough grasp of how tax money supports Nigeria's sustainable economic development would be possible thanks to such

an examination. This study intends to fill these research gaps by offering a thorough and nuanced analysis of the connection between tax income and economic development in Nigeria, so adding to the body of empirical literature already in existence.

Aim and Objectives

The main objective of the study is to investigate the effect of tax revenue on economic development in Nigeria, while the specific objectives are to:

1. ascertain the influence of Hydrocarbon tax on Per Capita Income in Nigeria,
2. ascertain the influence of Corporate Income Tax on Per Capita Income in Nigeria
3. ascertain the influence of Value-Added Tax on Per Capita Income in Nigeria,

Research Questions

This study provided answers to the following research questions in order to address the fundamental problems of the study

1. What is the influence of Hydrocarbon tax on Per Capita Income in Nigeria?
2. What is the influence of Corporate Income Tax on Per Capita Income in Nigeria?
3. What is the influence of Value-Added Tax on Per Capita Income in Nigeria?

Hypotheses

In the course of this study, the following null hypotheses were formulated and tested.

- H₀₁: There is no significant effect of Hydrocarbon tax on Per Capita Income in Nigeria,
H₀₂: There is no significant effect of Corporate Income Tax on Per Capita Income in Nigeria,
H₀₃: There is no significant effect of Value-Added Tax on Per Capita Income in Nigeria.

Review of Related Literature

Concept of tax revenue

A tax is an obligatory, non-refundable payment made to the government for goods and services on an as-needed basis. Typically, consumers and private companies pay it to the government (Agunbiade & Idebi, 2020). In order to ensure that all taxes are correctly handled and that the government receives all money earned, the government has the authority to control, administer, and establish provisions for laws, rules, regulations, and policies that will govern and guide the tax system (Abomaye-Nimenibo et al., 2018).

According to Amadi and Alolote (2019), Nigeria's government is among those nations with the legal right to impose any kind of tax on its citizens at any time it sees proper. According to Macek (2014), because tax revenue is declining, it is difficult for developing nations to use taxes as a fiscal policy tool to achieve economic development.

While taxes are viewed as a necessary payment that all people of a state must make, taxation is the art of charging citizens taxes. It is considered a civic duty to pay taxes (Abomaye-Nimenibo et al., 2018). Taxes are commonly imposed to restrict the production of specific goods and services, safeguard local and new enterprises, lessen the degree of wealth inequality in society, regulate business, and manage inflation (Edewusi & Ajayi, 2019).

The government of every country will aim to maximize tax revenues because of the importance of taxes in providing money for the government's various purposes, their capacity to influence consumption patterns, their impact on economic variables, and their ability to influence consumption patterns (Asaolu et al., 2018). Although the government can provide amenities for citizens and even carry out capital projects thanks to the effective and efficient administration of taxes, the fraudulent activities and schemes of tax authorities, as well as

incompetent tax personnel, are perceived as threats and challenges that affect the revenues by diverting the tax money into their personal pockets (Asaolu et al., 2018).

According to Chigbu and Njoku (2015), taxes should be supportive of economic growth while also generating the money needed for public spending, redistributing income, stabilizing the economy, overcoming externalities, and influencing resource allocation (Stoilova&Patonov, 2012). According to Harelimana (2018), taxes are all forms of involuntary levies that are collected by a levying authority, typically the government, and include income taxes, capital gains taxes, and estate taxes. Taxation, according to Anyafo (1996), is the mandatory payment made by people and businesses to the appropriate internal revenue authorities at the federal, state, and municipal levels of government. In terms of limiting labor supply and investment rate, taxes are a fiscal policy (Tosun & Abizadeh, 2005).

Raising money to pay for government spending and redistributing wealth and economic management are the primary goals of taxes (Ola, 2001; Bhartia, 2009). According to Anyanwu (1993), taxes serve three fundamental purposes. These include controlling income and employment, regulating the economy and economic activity, and generating revenue for the government. Furthermore, taxes typically serve allocation, distribution, and stabilization purposes, according to Nzotta (2007). Determining the pattern of production, the goods that should be created, who produces them, the relationship between the public and private sectors, and the point of social balance between the two sectors are all part of the allocation function of taxes. The way that people in a community split the effective demand for economic products is related to the distribution function of taxes.

Dimensions of tax revenue

Petroleum Profit Tax

The preferred method of wealth sharing between host governments and multinational oil corporations is petroleum taxation. It is a yearly direct tax imposed on the net earnings of a petroleum taxpayer engaged in the exploration and production of petroleum (Evans & Hunt, 2011). Because of the distinctive features of the oil industry, such as the significant economic contribution of oil revenue, the volatility of oil prices, the high operating and development costs, the high level of uncertainty surrounding petroleum geology, the unique characteristics of individual oilfields, and the potential for reinvestment, petroleum taxation has certain unique features.

Petroleum projects typically have upfront costs, and there may be considerable delays between the discovery of oil or gas reserves and the start of production. This makes it more difficult to create and execute a suitable petroleum tax system that strikes a balance between the interests of the government and business (Evans & Hunt, 2011). There are significant differences between accounting for income from oil and gas production activities and accounting for financial accounting (Gallun & Stevenson, 1986). According to Odusola (2006), upstream operations in the oil industry are subject to the petroleum profit tax. It specifically relates to leases for oil mining, prospecting, and exploration, as well as rents, royalties, margins, and profit-sharing elements. According to Attamah (2004), the Petroleum Profit Tax is the most important tax in Nigeria in terms of its percentage of total income, making up 70% of government revenue and 95% of foreign exchange profits.

Corporate Income Tax

One important part of a nation's tax structure and a major source of funding for the government is the corporate income tax. The goal of this literature review is to present a thorough summary of the main ideas, developments, and arguments related to corporate

income tax. In addition to examining the difficulties and possible policy changes in this area, it looks at how corporate income tax affects economic development, investment choices, and global competitiveness. The Companies Income Tax Act of 1990 is the current enabling law that regulates the collection of taxes on profits made by businesses operating in Nigeria, with the exception of businesses involved in petroleum exploration. At a rate of 30%, this tax is due for each year that a company's profits are assessed (based on the actual year).

Ola (2004) asserts that Nigerian corporations' income tax management falls short of acceptable norms. He added that although corporation income tax is a significant source of money for Nigeria, there is widespread non-compliance with laws and regulations by taxpayers due to a lack of effective oversight. The Nigerian corporate income tax system requires general tax improvements. Companies income tax, according to Ogbonna and Appah (2016), is a tax levied on profits earned by businesses (apart from those involved in petroleum operations) that are brought into, received, or derived from any trade or business in Nigeria, as well as on rent, premiums, dividends, interest, royalties, and any other source of yearly profit. According to Chigbu and Njoku (2015), firm income tax is a levy on business profits. Nigeria implemented company income tax in 1961, and the Federal Inland Revenue Services is in charge of its administration. The law on CIT has undergone numerous amendments since it was first approved, and the rate of CIT varies depending on the operation and annual turnover size.

Desai et al. (2007) contend that by encouraging capital accumulation and drawing in foreign direct investment, lowering corporate tax rates can promote economic growth. Investment choices can be greatly impacted by corporate income tax. According to research by Grubert and Mutti (1991), corporate income taxes influence the cost of capital, which in turn distorts investment decisions. A movement in investment toward tax-favored assets or countries with reduced tax burdens may result from higher tax rates, which also lower the after-tax return on investment. However, Clausing (2012) argued that the impact of corporate tax on investment decisions depends on various factors such as industry characteristics, firm size, and financial constraints. The global nature of business activities raises concerns about the impact of corporate income tax on international competitiveness.

Value-Added Tax

According to Oghuma (2017), VAT is a consumption tax that is paid for by the product or service's final customer at every point of the consumption chain. Its application modality entails a multi-phase collection process. This implies that the customer and supplier, respectively, pay and collect VAT at every stage of a production or operational process. According to Wikipedia, the French economist Maurice Laure is credited for creating value added tax (VAT) in 1954. At the time, it was known as *taxesur la valeur*. The Federal Government of Nigeria came up with the notion of VAT in 1991 when a study group was established to produce a report on the application of the new tax, which replaced the country's 1986-era sales tax and consumption tax. According to the study group's report, the Federal Government of Nigeria implemented VAT in January 1994 with the promulgation of Decree (now Act) No. 102 of 1993. The Federal Inland Revenue Service (FIRS) oversees Nigeria's value tax system in close coordination with the State Internal Revenue Service (SIRS) and the Nigeria Customs Service (NCS). Section 10(1 and 2) of the VAT Act 1993 states that when a taxable person pays a contractor, he must pay the supplier the tax on taxable goods and services that he has purchased or supplied. The taxable person must also send the tax paid on the contract to the closest local VAT office. Value Added Tax (VAT) has become a prominent

taxation mechanism that is implemented in nearly every industrialized and developing nation on the planet. It is defined and viewed from many angles.

Consequently, it may be inferred that VAT is a tax that individuals, governments, and business entities pay on the consumption of goods and services. This indirect tax, which is imposed on goods and services at every stage of production, prevents the cascading (double) effect of taxes, which occurs when taxes are comparable to sales taxes. As a result, it has become more popular than sales taxes. Sales tax was a virtually identical tax that existed in Nigeria prior to the implementation of the Value Added Tax. Before being replaced by VAT in 1993, the sale tax, which went into effect in Nigeria in 1986, was jointly handled by the Federal Inland Revenue Service and the state boards of Inland Revenue in each of the states (Ugwa&Embuka, 2012). The success of VAT in other nations, such as France and Germany, and the criticism that has dogged it are the reasons why it was chosen to replace the sales tax.

Economic Development

Economic development is a concept that means different things to different people. Hence, it is difficult to have a single satisfactory definition (Feld, et al, 2016). The term Economic development is often confused with the term economic growth due to their similar meaning. Thus, they are most times used interchangeably which is a misconception of the term economic development. Economic growth is just a measurement of the output of a country while economic development is a broader term that includes social and political improvement in the well-being of people living in a country. According to Romer (2016), economic development is the improvement in the economic well-being and quality of life of a country by accumulating wealth and diversifying the economy.

Economy is a very important part of any nation. Salami et al. (2015) view economic growth as a continuous rise in the net national product over a time frame. Ayebaenemi et al (2024) believe that a rise in capital stock, an enhancement in the literacy level and an upgraded level of technology is a vital source of economic growth. They believe certain economic indicators will provide a view of the economy and an improved understanding of the economy some of which include Gross Domestic Product (GDP), Gross National Product (GNP) and Per Capita Income. Conceptually, economic growth is defined as a gradual upswing in national revenue or output as a direct consequence of the government's deliberate manipulation of economic indicators via fiscal or monetary policy measures (Etim et al., 2021). However, it has been argued that economic growth is influenced by four essential indices: national resources, human resources, technological advancement, and wealth creation (Igbasan, 2017).

According to Dwivedi (2004), economic development is a sustained increase in per capita national output or net national product over a long period of time. It implies that the rate on increase in total output must be greater than the rate of population growth. Economic growth is described as a constant increment in the production capacity of a country (as evaluated by reviewing the current year's gross national product to the previous year's), as well as an increment in per capita national output, measured by shifting the country's production possibility frontier outwards (Salami et al., 2015). The government's role in achieving economic growth for both established and developing countries is critical, and taxation, as an instrument of fiscal policy, can be a beneficial tool used by the government in stimulating economic growth (Edewusi& Ajayi, 2019). The correlation between taxation and economic growth is a contested subject as taxation has an impact on the economy, firms and individual decisions are also affected by tax (Mdanat et al., 2018).

Per Capita Income

Per capita income is a widely used economic indicator that measures the average income of individuals within a particular region or country (Regido et al 2015). This literature review provides an overview of the concept of per capita income, its significance, methodologies for calculation, and its implications for economic analysis and policy-making. Per capita income serves as a key metric for assessing the economic well-being of individuals and comparing the standard of living across different regions or countries. It provides insights into income distribution, poverty levels, and overall economic development. Governments, policymakers, and researchers often utilize per capita income data to monitor economic progress, identify disparities, and formulate targeted interventions.

Calculating per capita income involves dividing the total income of a region or country by its population. However, variations exist in defining income and the population base. Some studies adopt measures such as Gross Domestic Product (GDP) per capita, which includes the total value of goods and services produced within a country, while others consider alternative income measures such as net national income. Additionally, the population base may be defined differently, such as using mid-year population estimates or considering specific age groups. Interpreting per capita income requires a nuanced understanding of its limitations (Gailey 2023) While it provides an average income figure, it may not reflect the distribution of income within a population. High per capita income does not necessarily indicate equitable wealth distribution, as income disparities can exist. Moreover, per capita income fails to capture non-monetary aspects of well-being, such as access to quality education, healthcare, and social services.

Per capita income data plays a vital role in economic analysis and policy-making. It enables economists to study economic growth, income inequality, and poverty trends over time. Per capita income also informs policymakers' decisions regarding resource allocation, taxation policies, social welfare programs, and development strategies. Additionally, it facilitates international comparisons, allowing policymakers to benchmark their country's performance against peers and identify areas for improvement. Per capita income is a significant economic indicator that provides insights into the average income level and economic well-being of individuals within a region or country. It serves as a valuable tool for economic analysis, policy formulation, and international comparisons. However, understanding its limitations is crucial, as per capita income alone cannot fully capture the complexity of income distribution, poverty, and overall quality of life. Integrating additional indicators and multidimensional approaches can enhance our understanding of economic development and inform more comprehensive policy interventions.

Expediency Theory

This theory asserts that every tax proposal must pass the test of practicality. It must be the only consideration weighing with the authorities in choosing a tax proposal. Economic and social objectives of the state and the effects of a tax system should be treated irrelevant (Bhartia, 2009). Anyafo (1996) explained that the expediency theory is based on a link between tax liability and state activities. It assumes that the state should change the members of the society for the services provided by it. This reasoning justifies imposition of taxes for financing state activities by inferences, provides a basis, for apportioning the tax burden between members of society. This proposition has a truth in it, since it is useless to have a tax which cannot be levied and collected efficiently. In addition, the administrative set up may not be efficient to collect the tax at a reasonable cost of collection. Tax revenue provides a powerful set of policy tools to the authorities and should be effectively used for remedying

economic and social ills of the society such as income inequalities, regional disparities, and unemployment and so on. Accordingly, a tax system should not be designed to serve individual members of the society, but should be used to cure the ills of the society as a whole. This theory relates to a normal development process and represents a bench mark against which country specific empirical evidence may be compared.

This study therefore focuses on the expediency theory which enables us to assess the extent to which the Nigeria tax system conforms to this scenario where the link between tax revenue and economic activities are linked. If applicable, such a characterization will enhance accurate tax revenue projection and targeting specific tax revenue sources given an ascertained profile of economic development. It will also assist in estimating a sustainable revenue profile thereby facilitating effective management of a country's fiscal policy, among others. This is because the expediency theory focuses on the fact that taxes are collected to achieve economic objective which enhances the growth and development of a country in all its spheres.

Empirical Review

Ayebaenemi et al (024), examined the Impact of Internally Generated Revenue on Economic Growth in Ebonyi State, Nigeria from 2007 to 2022. Specifically, the impacts of internally generated revenue measured by pay-as-you-earn, withholding tax, direct assessment tax, and administrative tax on economic growth represented by Gross Domestic Product in Ebonyi State were examined. The theory of fiscal decentralization was adopted for the study. The study employed ex post facto research design. Data was obtained through the Ebonyi State Ministry of Budget, Planning, Research & Monitoring, Office of the Accountant General of the State, and Ebonyi State Internal Revenue Service (EBSIRS) for the period under study. The multiple linear regression model involving ordinary least square (OLS) estimation approach using E-view econometric software version 12 to analyze the data collected. The study made the following findings: that pay-as-you-earn has significant negative impact on gross domestic product; that there is presence of negative and significant impact of withholding tax on gross domestic product; that direct assessment tax has positive and significant impact on gross domestic product; and that administrative tax has positive but significant effect on gross domestic product in Ebonyi State, Nigeria. The study then recommended among others that Nigerian government should pay particular attention to the reduction of the pay-as-you-earn (PAYE) rate because high PAYE rate has the tendency of adversely affecting gross domestic product. Also, the rate of withholding tax should be reduced to a relatively low level so as to boost gross domestic product and subsequently translate to economic growth in Ebonyi State, Nigeria. Again, Ebonyi State government should expand the tax yield through restructuring its direct assessment tax dragnet. Furthermore, to ensure sustainable gross domestic product through administrative tax, the state government should encourage her citizens to build trust in it through tax accountability, making sure that the promises made to the citizens are fulfilled.

Babu, et al (2024) conducted an econometric analysis of the impact of taxation and other macroeconomic factors on private investment in sub-Saharan Africa, taking the case of East African Community (EAC) and Southern African Development Community (SADC) countries. The study is based on an annual panel dataset of 255 observations from seventeen EAC and SADC countries measured over a period of fifteen (15) years from 2003 to 2017. Data was secondary, and collected from WBG, IMF, UNCTAD, KPMG, EY and relevant tax authorities. Data analysis was done with descriptive, pre-estimation and post-estimation statistical techniques, including the One-Step Difference GMM. The empirical results indicate

that CIT and VAT have significant and negative effect on private investment. The results also show that real interest rate is an important factor that explains the level of private investment in the EAC and SADC countries. Credit to private sector, though found to be statistically significant, the results suggests its effect is unexplainably negative and inconsistent with economic theories. The study finds no evidence, however, on the impact of PIT, real GDP growth rate, nominal exchange rate and inflation rate on private investment. On the policy front, the study findings indicate that, governments from the two economic blocs need to consider lowering the corporate income tax and VAT tax rates if they are to promote and attract more private investments. Lowering interest rates through the monetary policy channel is also recommended to make their economies more attractive to potential investors.

Felix (2024) studied the relevance of tax revenue in driving economic growth in emerging market economy context. Using data extracted from Central Bank of Nigeria and Federal Inland Revenue Service over a period of eleven (11) years from 2008 to 2018. The study used auto-regression estimation model, to relate the existence of significant and positive relationship between companies' income tax, value added tax, petroleum profits tax, custom & excise duties and economic growth in Nigeria. Our findings further reveal that value added tax (VAT) and custom–excise duty (CED) exert negative influence on economic growth. However, the study provide evidence that VAT and CED are insignificant in determining the economic growth in emerging market economy context with special interest in Nigeria This study provide further evidence that the higher the amount of tax revenue generated, the higher the level of economic growth in the economy. There is a recommendation therefore that strong institutional reforms are panacea to prevent leakages of revenue from VAT and CED.

Felix and Ijeoma (2024) conducted a study on the impact of tax revenue on economic development of Nigeria. Key variables were petroleum profit tax, company income tax, value added tax, and human development index. The study used annual time series data, from Central Bank of Nigeria and Federal Inland Revenue Service, over a period of twenty-two years from 1997 to 2018. The study adopted ex-post facto research design, correlation and regression. The study found that petroleum profit tax and company income tax have significant effect on human development while value added tax does not significantly influence human development. The implication of the finding was that the higher the amount of direct tax revenue generated, the higher the level of economic development experienced by a state or nation. This implies that taxes that have positive effect on economic development are direct taxes, thus direct taxes exert more significant influence on economic development of Nigeria than indirect taxes. This anomaly was attributed to dysfunctional ties in tax system, loopholes in tax law and inefficient tax administration. The lower the amount of revenue generated from tax the lower the quality of development to be witnessed. Government will generate higher revenue if they strengthen the legal and regulatory framework in order to control tax evasion and tax avoidance by taxpayers, improve on the system of tax administration.

Husman (2024) conducted a study on taxation and economic development in the former Communist Bloc. Key variables were GDP per capita, personal income tax (PIT), corporate income tax (CIT) and value added tax (VAT). The population of the study came from EU Member States within the former Communist Bloc: Hungary, Poland, Romania, Slovakia and Slovenia. The chosen countries share a similar past and had in one way or another the same starting point in the 1990s. These countries are also from the same geographical region (Central and East European countries) and have to some extent comparable economies. Panel data was subjected to Levin-Lin-Chu unit-root test of stationarity, and Wooldridge test of

autocorrelation. Furthermore, an econometric analysis was performed on panel data extracted from the Eurostat database over a period of sixteen years from 2003 to 2018 using Stata software. The results thus obtained, showed a direct positive relationship between the dependent variable and the independent variables. The study also found that, the revenues from PIT and VAT were statistically significant with GDP per capita, while the coefficient related to revenues from CIT proved to be statistically insignificant with GDP per capita.

Joseph and Omodero (2023) examined the nexus between government revenues and the economic growth of Nigeria. The study employ exploratory and ex-post facto research designs while using secondary data collected from the Federal Inland Revenue Services tax revenue report, National Bureau of Statistics annual report and Central Bank of Nigeria statistical bulletin over a period of eighteen (18) years from 1981 to 2018. The relationship between federally received revenue, value added tax and changes in gross domestic product were tested by using Ordinary Least Squares (OLS) regression. Result showed that the federally received revenue has a moderate relationship with the economic growth of Nigeria proxied by change in GDP at a p-value of $0.001 \% < 0.05 \%$ significance level. Result further revealed that value added tax has a positive relationship with economic growth of Nigeria proxied by change in GDP at a p-value of $0.001\% < 0.05\%$ significance level. It implies that an increase in federally received revenue and VAT revenue positively impacts the economy and boosts economic growth.

Obaretin and Uwaifo (2023) examines the impact of value added tax on economic development in Nigeria. The study employed a longitudinal research design. The study made use of secondary data observed for a period of twenty-six (26) years 1994 to 2019. The data used in the study were generated from the office of the Federal Inland Revenue Service (FIRS), and United Nation Development Program (UNDP). The data generated were analyzed using the Auto-Regressive Distribution (ARDL) regression estimation technique. Pre-estimation tests such as descriptive statistics, test for autocorrelation, test for misspecification, ADF unit root test, test for cointegration were employed for the study. The result showed that VAT has a positive and significant impact on economic development, measured by HDI. The study recommended that Government should ensure that the revenue that is generated from VAT is expended on projects that will impact on the citizens of the country and Regularly tax audit should be carried out on registered VAT collectors to ensure that the tax collected is remitted to the appropriate authority.

Garga and Akanegbu (2022) examined the impact of direct tax on the economic growth of Nigeria for the period of 1970-2020. The objectives that guided this study include: to establish the impact of companies' income tax (CIT) on economic growth of Nigeria from 1970-2020; and to investigate the impact of petroleum profit tax (PPT) revenue on economic growth of Nigeria from 1970-2020. The study used data from Federal Inland Revenue Services, Central Bank of Nigeria (CBN), and the National Bureau of Statistics (NBS). The used Ordinary Least Square (OLS) Model, Augmented Dickey-Fuller (ADF), linear and multiple regression as data analysis tools. The finding of the study indicated a positive impact of companies' income tax on the economic growth of Nigeria (R-Square = 0.0562, Prob > F = 0.0940). Furthermore, there was a positive impact of petroleum profit tax on the economic growth of Nigeria (R-squared = 0.1013, Prob > F = 0.0229). The study concluded that both CIT and PPT have a positive impact on the economic growth of Nigeria. The study recommended that the federal government of Nigeria should come up with diversification mechanisms that will avert over-dependence on oil revenue (petroleum profit tax) since when oil prices fluctuate, it can have detrimental effects on the economic growth of the country. The study further

recommended that government should begin to emphasize tourism, agriculture, and telecommunications to expand its tax base.

Etale and Bingilar (2016) examined the relationship between petroleum profit tax, personal income tax and economic growth (proxy by real gross domestic product) in Nigeria. Secondary time series data was collected for the period 2005 to 2014 from CBN Statistical Bulletin. The study employed Ordinary Least Squares (OLS) technique based on the computer software Windows SPSS 20 version for the analysis of data, where RGDP (the dependent variable) was regressed as a function of PETA and PITA (the independent variables). The results of the analysis showed that both petroleum profit tax and personal income tax have significantly positive relationship with economic growth. Based on the findings, the study recommended that government should strengthen the tax administration system to broaden the tax income, and embark on tax education to ensure voluntary tax compliance. The study also recommended that government should diversify the revenue base of the economy as the reduction in the price of crude oil at international market would adversely affect income from PETA.

Methodology

The study adopted ex-post facto research design, This study was conducted on Federal Republic of Nigeria under the National Bureau of Statistics, Federal Inland Revenue Services, Central Bank of Nigeria (CBN), World Bank and Federal Ministry of Finance (from 1994-2023) thirty (30) years period.

Empirical Results and Discussion

Descriptive Statistics of Independent and Dependent Measures

	HDT	CIT	VAT	PCI
Mean	400.0325	8.556335	854.8785	543.0615
Median	89.10000	5.033585	334.5000	145.7907
Maximum	1747.990	120.1570	3201.300	3042.845
Minimum	3.000000	3.208441	10.60000	2.087455
Std. Dev.	531.5518	18.560769	983.1203	788.3037
Skewness	1.121158	5.560769	0.908322	1.795775
Kurtosis	3.846101	33.58828	3.574168	5.402968
Jarque-Bera	8.629933	1809.691	5.947610	31.90053
Probability	0.113366	0.243200	0.075108	0.000000
Sum	16401.33	350.8097	35050.02	22265.52
Sum Sq. Dev.	11301892	13779.67	38661019	24856910
Observations	30	30	30	30

Source: E-View Version 12 Output

Table 4.1 gives a summary of Tax Revenue on economic development indicators as obtained from Federal Inland Revenue Services and National Bureau of Statistical bulletin. The study looked at 30 years (1994 - 2023) for each of the series as reported in the Table. The variables considered for this study includes Hydrocarbon tax (HDT),Corporate Income Tax (CIT), Value-Added Tax (VAT), and Per Capital Income (HCI).

Generally, the summary statistics in the Table shows that federal government of Nigeria received more tax revenue on Value-Added Tax (VAT) than Hydrocarbon tax (HDT) and Corporate Income Tax (CIT). This is reflected in the fact that about N854.8785b was averagely recorded from 1994 to 2023 as Tax Revenue on Value-Added Tax (VAT) followed by N8.556335b on Corporate Income Tax (CIT). Furthermore, the table above showed that all the three variables that represent Tax Revenue has a positive growth rate as indicated between the minimum and maximum statistical values. VAT has the highest growth rate from N10.600b to N3201.300b with a Median value of N334.500b and Standard Deviation of N983.120b followed by HDT grow rate from N3.000b to N1747.990b with a Median value of N89.100 and Standard Deviation of N531.551, and lastly CIT growth rate from N3.208b to N120.157b with a Median value of N5.033b and Standard Deviation of N18.560b.

Also, the summary statistics in the Table shows that federal government of Nigeria spent heavily on Per Capita Income. This is reflected in the fact that about N543.0615b was ever averagely recorded as Per Capita Income (HCI) from 1994 to 2023. Furthermore, the table above showed that the variable that represent economic development had a positive growth rate as indicated between the minimum and maximum statistical values. PCI the grow rate from N2.087b to N3042.845b with a Median value of N145.790b and Standard Deviation of N788.3037b.

Furthermore, the table above disclosed that all of the variables are positively skewed, which means that the right tail of their distributions will always be longer and include more extreme values than the sample mean. Also, the kurtosis values of 3.846, 33.588, 3.574 and 5.402 showed that all the variables (HDT, CIT, VAT and PCI) was leptokurtic and looked different from a normal distribution because they have a kurtosis value that is greater than 3, which indicates that the distributions will have a greater number of values that are higher than the sample mean value.

Finally, the Probability of the Jarque-Bera stat for HDT, CIT, VAT and PCI was 0.113, 0.243, 0.075, and 0.000, implying that the data on HDT, CIT and VAT were normally distributed while PCI was not normally distributed, hence, the researcher need to carry out a normality and diagnostics test to confirm the normality of the variables before further estimation.

Unit Root

Table 4.2: Results from the Unit Roots Test

	HDT	CIT	VAT	PCI
Levin, Lin & Chu t	0.0000	0.0007	0.0000	0.0035
ADF - Fisher Chi-square	0.0001	0.0061	0.0062	0.0267
PP - Fisher Chi-square	0.0000	0.0000	0.0000	0.0000
Order of integration	1(0)	1(0)	1(0)	1(0)
Remarks	Stationary	Stationary	Stationary	Stationary

Source: Generated by the Researcher using Eview 12

The stationarity properties of the data were examined using the LLC, PP and Fisher-ADF. From table 4.2 above showed that three of the five variables were stationary at levels. This is supported by the Prob.** value with regards to Levin, Lin & Chu t, ADF - Fisher Chi-square, and PP - Fisher Chi-square are less than the Prob.** value of 5%. The null hypothesis of panel unit root is therefore rejected with 95% certainty. This indicated that the data series have been cleansed of unit root. The fining indicate that the variables are not mixed integrated therefore there is no need for further diagnosis.

Multi-Collinearity Test

This refers to the presence of high correlations between independent variables. This assisted in assessing the strength and the direction of the relationship between the dependent and independent variables.

Multi-collinearity Test

Variance Inflation Factors

Date:10/10/24 ime: 01:35

Sample: 1 30

Included observations: 30

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
HDT	0.000910	5.473852	3.463306
CIT	0.278110	1.570760	1.289801
VAT	0.000229	5.288706	2.979500
C	135.1323	1.864705	NA

Source: E-View Version 12 Output

Table above revealed the Multi-collinearity test that was tested through the use of the variance inflation factor (VIF). The results show that the study is free from the multi-collinearity problem because the Tolerance Value (TV) is < 1 and Variable Inflation Factors (VIF) is $>$ than 10. The result is in agreement with the assumption of the classical regression model which states that there should not be multi-collinearity among the explanatory variables included in the model.

Multivariate Data Analysis

In the current study, multiple regression analysis was performed in order to evaluate the effect of the independent variables to justify the dependent variable. The tables below present the results.

Regression Analysis of Model Two

Dependent Variable: PCI

Method: Least Squares

Date: 10/30/24 Time: 13:50

Sample: 1 30

Included observations: 30

Variable	Coefficient	Std. Error	t-Statistic	Prob.
HDT	1.470336	0.118542	12.40349	0.0000
CIT	7.069560	2.071786	3.412302	0.0016
VAT	-0.114831	0.059448	-1.931612	0.0611
C	-7.444025	45.66844	-0.163002	0.8714
R-squared	0.931741	Mean dependent var	543.0615	
Adjusted R-squared	0.926206	S.D. dependent var	788.3037	
S.E. of regression	214.1426	Akaike info criterion	13.66363	
Sum squared resid	1696711.	Schwarz criterion	13.83081	
Log likelihood	-276.1044	Hannan-Quinn criter.	13.72451	
F-statistic	168.3507	Durbin-Watson stat	1.113208	
Prob(F-statistic)	0.000000			

Source: E-View Version 12 Output

The results in table 4.6 disclosed the R-Squared and Adjusted R-Squared, also known as coefficient of determination was used to show how good the model is at predicting the dependent variable. The $R^2 = 0.926$, indicates that 92.6% of the changes in the Per Capita Income (PCI) of Nigeria was attributed to Hydrocarbon tax (HDT), Corporate Income Tax (CIT) and Value-Added Tax (VAT). The overall goodness-of-fit of the model was revealed by F-statistic = 168.350 and Prob(F-statistic) = 0.0000, which indicated that the model is significant at 5% level since the Prob (F-statistic) is less than 0.05. In summary, the model that predicted the Per Capita Income (PCI) of federal government of Nigeria using Hydrocarbon tax (HDT), Corporate Income Tax (CIT) and Value-Added Tax (VAT) can be relied on for statistical inference because it fits the data properly. The Durbin–Watson test statistic was 1.113 which implied there could be issue of auto-correlation among the residuals. However, panel data regression output remains valid and accurate despite the presence or absence of serial correlation.

Test of Hypotheses Under Model two

Decision: Reject the null hypotheses; probability value is less than 5% significant level. Otherwise; accepted the alternate hypotheses

Statement of Hypotheses

H₀₂: There is no significant effect of Hydrocarbon tax on Per Capita Income in Nigeria,

H₀₄: There is no significant effect of Corporate Income Tax on Per Capita Income in Nigeria,

H₀₆: There is no significant effect of Value-Added Tax on Per Capita Income in Nigeria.

Decision:

Table above gave the coefficient and t-Statistics of the estimated marginal effect of Hydrocarbon tax on Per Capita Income in Nigeria. The coefficient and t-statistics of Hydrocarbon tax was 1.470 and 12.403, showing that Hydrocarbon tax positively affects the Per Capita Income in Nigeria. An increase in Hydrocarbon tax by 1 unit will lead to significant increase in the per Capita income. This positive effect is significant since the absolute value of P-value (0.000) was less than 0.05. This simply indicated that the null hypothesis (H_{02}) is rejected and the alternate hypothesis (H_{a2}) was accepted. Therefore, it was concluded that the effect of Hydrocarbon tax on Per Capita Income in Nigeria is significant and positive.

Furthermore, table 4.6 gave the coefficient and t-Statistics of the estimated marginal effect of Corporate Income Tax (CIT) on Per Capita Income in Nigeria. The coefficient and t-statistics of Hydrocarbon tax was 7.069 and 3.412, showing that Corporate Income Tax positively affect the Per Capita Income in Nigeria. An increase in Corporate Income Tax by 1 unit will lead to significant increase in the per Capita income. This positive effect is significant since the absolute value of P-value (0.001) was less than 0.05. This simply indicated that the null hypothesis (H_{04}) is rejected and the alternate hypothesis (H_{a4}) was accepted. Therefore, it was concluded that the effect of Corporate Income Tax on Per Capita Income in Nigeria is significant and positive.

Finally, table 4.6 gave the coefficient and t-Statistics of the estimated marginal effect of Value-Added Tax (VAT) on Per Capita Income in Nigeria. The coefficient and t-statistics of Value-Added Tax was -0.114 and -1.931, showing that Value-Added Tax negatively affect the Per Capita Income in Nigeria. An increase in Value-Added Tax by 1 unit will lead to insignificant decrease in the per Capita income. This negative effect is insignificant since the absolute value of P-value (0.061) was greater than 0.05. This simply indicated that the null hypothesis (H_{06}) is accepted and the alternate hypothesis (H_{a6}) was rejected. Therefore, it was concluded that the effect of Value-Added Tax on Per Capita Income in Nigeria is not significant and negative.

Discussion of Findings

Hydrocarbon tax and Economic Development

Result from regression analysis indicates that Hydrocarbon tax has positive and significant effect on economic development in term of per Capita income. This finding was in agreement with the following results; Garga and Akanegbu, (2022) finding of the study indicated a positive impact of companies' income tax on the infrastructural. Victory et al. (2022) study revealed that there is a positive significant impact of PPT on PCI in Nigeria among other things. Yahaya and Bakare (2018) study found that Hydrocarbon tax (HDT) have positive significant impact on gross domestic product in Nigeria. Anyaduba and Aromwan (2015) findings showed that Petroleum Profit tax have significant impacts on the level of Economic Development. However, the following result disagreed with this study finding; Oladapo and Olalekan (2023) study found that Petroleum Profit tax were not significant to economic development in Nigeria. Oluwole (2023) result indicate that there is an insignificant effect of Hydrocarbon tax (HDT) on the real gross domestic product in the long run in Nigeria. Okoror et al. (2019) findings of the study reveal that Petroleum Profit tax is generally not characterized with threatening oscillations year-on-year over the period.

Corporate Income Tax and Economic Development

Result from regression analysis indicates that corporate income tax has positive and significant effect on economic development in term of per Capita income. Omesi and Appah,

(2021) who investigated the effect of corporate income tax on economic growth in Nigeria. The finding depicted that there is a positive and significant relationship between corporate income tax and economic growth in Nigeria. This finding disagreed with Olanreaju and Olayiwola (2019), Etale and Bingilar (2016), Adeyemi and Samson (2018) who assessed the effect of company income tax on economic development in Nigeria. These studies reported that there is an insignificant inverse relationship between company income tax and economic development.

Value-Added Tax and Economic development

Result from the regression analysis indicates that Value-Added Tax has negative and insignificant effect on economic development in term of per Capita income. This finding was in agreement with the following results; Onoja and Ibrahim (2020) study revealed that Value-Added Tax has insignificant relationship with Nigeria Economic Growth. Ezekwesili and Ezejiofor (2022) findings conclude that tax revenue has no significant effect on inflation rate and interest rate of Nigeria. Anyaduba and Aromwan (2015) study Value-Added Tax (VAT) have a non-significant impact on the level of Economic Development. However, the following result disagreed with this study finding; Mustapha and Benedict (2022) finding of the study indicated a positive impact of Value-Added Tax on infrastructural of Nigeria. Oladapo and Olalekan (2023) study found that Value-Added Tax has a strong contributor significant to economic development in Nigeria. Lateef et al. (2022) study established that VAT strongly influence economic development in the health care sector in Country.

Conclusions

A study was undertaken to ascertain how tax revenue affect Nigeria's economic development. The study's primary goal is to determine how Nigeria's Per capita income has been impacted by HDT, CIT, and VAT. The Central Bank of Nigeria's statistical bulletins were the source of the data used in the study. HDT, CIT has a favorable and considerable impact on economic development in Nigeria, according to the trend analysis's findings. Additionally, it was discovered by this study that Value Added Tax (VAT) had a negative and negligible impact on Nigeria's economic development. The study's findings support the conclusion that Nigeria's economic development is impacted by HDT, CIT.

Note: The study generally concluded that the effect of Tax Revenue on economic development in Nigeria is statistically significant for the period spanning from 1994 - 2023.

Recommendation(s)

Based on the summary of findings and conclusions above, the following recommendations were made:

1. The study recommends that government should intensify efforts at developing the economic through tax payers' revenue because, this study affirmed that HDT and CIT has positive and significant effect on economic development in term of human development index and per capita income.
2. The study recommends that for an economy to achieve Economic Development, government should ensure that Corporate Income Tax are not highly charged on investors when importing products and services, acquiring raw materials from other countries.
3. The study recommended that government at all levels should create a platform that will make filing of tax liabilities be easy to firms thereby increasing tax revenue and

this will translate into a conducive environment for companies to operate optimally and enhance their productivity.

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