

## TAXATION AND ECONOMIC GROWTH: EXPERIENCE FROM NIGERIA

**CHUKUEMEKA ROBERT AMADI (Ph.D)**

Department of Economics  
Rivers State University,  
Port Harcourt, Rivers State, Nigeria

And

**KENNEDY IKECHUKWU IMUDIA**

Department of Economics  
Rivers State University,  
Port Harcourt, Rivers State, Nigeria

### ABSTRACT

*This study investigates the impact of taxation on economic growth in Nigeria. The formulated model was subjected to unit root using Augmented Dickey Fuller (ADF) and Auto-Regressive Distributive lag (ARDL) bound test, long-run and error correction forms. The ADRL bound test revealed that that there is a long-run relationship between taxation and economic well-being. Further finding indicates that company income tax (CIT) had a positive and significant relationship with gross domestic product per capita growth (GDP PCG) in the long-run and current year period of the short-run, while capital gain tax (CGT) had a negative and insignificant relationship with gross domestic product per capita growth (GDP PCG) in the previous and second year period of the short-run. Also, it revealed that gas income tax (GIT) had a positive but in insignificant relationship with gross domestic product per capita growth (GDP PCG) in the long-run. Similarly, foreign direct investment (FDI) exert a positive and significant relationship with gross domestic product per capita growth (GDP\_PCG) in the long-run as well as the current year period of the short-run while inflation (INF) had a negative and significant relationship with gross domestic product per capita growth (GDP PCG) in the current year period of the short-run. The study recommends that the federal government, through the federal Inland Revenue service, should improve on the policies bordering on the company income tax so as to improve the government revenue through the companies affected.*

*Keywords: Impact, Taxation, Economic, Growth, Nigeria.*

### Introduction

Economic growth per capita is a linchpin determining the development of the overall economy. The means by which people have their most basic survival needs met and have sustainable income and assets for prosperity are highly uncertain in Nigeria. Majority of the people are barely living below poverty line with cloudy business environment, making it difficult for capital formation and investment. This is evidence with the per capita income of \$2, 499.59, which is 19% of the world's average. Acamoghu (2007) posits that economic growth is an increase in the inflation-adjusted market value of the goods and services produced by an economy over time-ratio of GDP to population, which is GDP per capita or per capita income.

For an economic growth per capita to be achieved, taxation plays a fundamental role; its focus is in shaping the economic landscape of nations, serving as a critical source of government revenue and a tool for achieving various policy objectives. It is certain that the

development of any nation depends on the amount of revenue generated for the provision of the critical infrastructural facilities for the common good of all. Ngwoke (2019), and Aliyu et al. (2020) econometrics studies revealed that petroleum profit tax, valued added tax, company tax, custom and excise duties positive and significant relationship with economic growth while Cornelius et al. (2016) finding deferred by establishing insignificant relationship of the company tax and economic growth in Nigeria. The recent study of Ashibigwu et al. (2022) found confirmed that tax revenue had a positive and significant relationship with economic growth in Nigeria.

Consequently, the studies seem not to identify the fact that sometimes higher taxes on investment may discourage capital formation and hinder economic expansion or growth; that is, taxation being disincentive to workers and production. In addition, higher taxes on labour may discourage labour force participation and reduce incentives for skill development, potentially slowing long-term economic growth. Given this mixed development and present economic conditions of the countries with all indices reporting nearly negative and distressing; how realistic is it that taxation in Nigeria can led to economic growth? It is against this backdrop, that the study focus is on the investigation of the impact of taxation on economic growth in Nigeria.

### **Literature Review**

This section explored the written work of many writers on the subject of impact of cashless economy on the performance of banks in Nigeria as a context.

### **Economics Deterrent Theory**

Economic deterrence theory otherwise known as A-S model of tax compliance was propounded by Allingham and Sandmo (1972). The theory is of the assumption that taxpayer's behaviour towards taxation is determine or influenced by tax audit, detection of evasion and the extent of the severity of penalties that is melted on tax evaders. In other words when severe penalties are melted on tax evaded, there is the tendency that few people will evade tax. On the other hand, more people will evade tax if the penalties are relaxed thereby giving room to non-compliance. Appah (2014), posits that the model relies upon a wide range of major assumptions that are generally unrealistic for determining taxpayer's behaviour. Focusing on the use of coercion on compliance rather than the use of consensual method lead to more criticism of the model. There is some evidence to support the relevance of deterrence theory in addressing taxpayer's noncompliance. The fear of tax audit, the detection of evasion and the penalties that follows, it is seen as an effective strategy to induce taxpayer's behaviour towards compliance. It can be said that when situation demands that coercive measure be used for tax compliance and penalties on defaulters these will make people to comply with the resultant effect of increase in tax revenue generation.

### **Benefit Receive Theory**

The benefit receive theory was propounded by Knut Wicksell in 1896 and Erik Lindahl in 1919. This theory dictates that the state should levy taxes on individuals according to the benefit they derived from government expenditure. The more benefits a person derived from the activities of the state, the more he should pay tax to the government. In other words, this theory proceeds on the assumption that there is basically an exchange or contractual

relationship between a tax payer and the state. Tax revenue is expected to be used by the government to provide common benefit to the citizen. It is not intended to provide a direct or specific benefit to any individual. One of the objectives of taxation is to redistribute income by taxing the rich more than the poor. It then means that if the benefit received theory is to be applied; the poor will end up paying more tax than the rich because most of the government expenditures are intended to benefit the poor more than the rich. Secondly, taxation based on the benefit theory will not yield enough revenue to the government because many people who can afford to pay high taxes may end up paying less since they do not receive much benefit from government activities. This theory kicks against the principle of justice.

### **Concept of Taxation**

World Bank (2000), taxes are compulsory transfer of resources to the government from the rest of the economy; it was also made known that no single tax structure can possibly meet the requirements of every country. Besides, a tax is a compulsory levy contribution made by the citizens to the state or even an alien, subject to the jurisdiction of the government, for reasons of residence or property and this contribution is for general common use (Nzotta (2007). The best system for any country should be determined taking into account its economic structure, its capacity to administer taxes, its public service needs, and many other factors. This is with a view to meeting or the provision of a basis for apportioning the tax burden between members of the society. They advocated that, for a tax system, which is not designed to serve individuals but one that cures the ills of the society as a whole. The society is made up of individuals but is more than the sum total of its individual members; consequently, the tax system should be directed towards the health of the society as a whole, since individuals are integral part of the broader society (Chigbu, et al., 2012).

### **Economic Growth**

Akingunola et al. (2013) define economic growth as per-capita national output or net national products sustained increase over a long period of time. Besides, Todaro and Smith (2009), define economic growth as the steady process by which an economy's productive capacity is made greater over time to bring generate rising levels of both income and national output. Furthermore. Acamoghu (2007) posits that the economic growth is an increase in the inflation-adjusted market value of the goods and services produced by an economy over time-ratio of GDP to population, which is GDP per capita or per capita income Igwebuiké, Ude, and Okonkwo (2019) stress that economic growth is a measure of aggregate economic progress at a national level; it involves the process of the year to year increase in the total value of goods and services produced in domestic economy, as well as the income generated within it. Thus, the measure of economic growth is the actual real gross domestic product per capita. It could be measured in nominal terms, which includes inflation, or in real terms that is, adjusted for inflation.

### **Empirical Review**

Tarasa (2023) assessed the impact of foreign direct investment on Nigeria economic growth during the period 1999-2020, the study revealed that FDI had positive and significant influence on economic growth in Nigeria.

Ashibogwu et al. (2022) appraised the impact of tax revenue on economic growth in Nigeria. The model was estimated using autoregressive distributed lag bounds testing approach to co-integration for the long-run analysis while an unrestricted error correction model was relied upon to explore the contemporaneous dynamics. The study finds that the trends of tax revenue are unstable with tertiary education tax being relatively more pronounced. Also, the study found that economic growth had long-run significant relationship with tax revenue components. However, in the short run, economic growth is significantly and positively responsive to changes in company income tax and tertiary education tax negative response to changes in petroleum profit tax. Haliru (2022) examined the impact of inflation on economic growth for the period of (1973-2019). The data were analysed using multiple regression. The finding revealed that a negative and significant relationship existed between inflation and economic growth in Nigeria.

Awa and Ibeanu (2020) ascertain the influence of tax revenue on economic development of Nigeria. Annual time series data, from CBN and FIRS from 1997 to 2018 was used. The study used regression analysis. The result showed that petroleum profit tax and company income tax have significant effect on economic development while value added tax does not significantly influence economic development. The implication of the finding is that the higher the amount of tax revenue generated, the higher the level of economic development experienced by the economy. 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.

Eze and Atagboro (2020) conducted a study on the impact of tax revenue on economic performance of Nigeria. The secondary data – projected taxation values and tax revenue for the period 2001 to 2018 were obtained from the Central Bank of Nigeria Statistical Bulletin. The Ordinary Least Square (OLS) statistical technique was adopted in the analysis of the data using the simple regression model via the STATA 13.0 software. The analyses were done in sections: descriptive statistics (mean, standard deviation, minimum and maximum values, normality test (skewness, kurtosis, and Jarque-Bera), ordinary least square regression estimates analysed and interpreted include regression coefficients, r-squared (R<sup>2</sup>), adjusted r-squared, f-test, and t-test). The study has depicted on general note that tax revenue has impacted positively on economic performance of Nigeria, though, two of the taxes, namely value added tax (VAT) and customs and excise duties (CED) have significant impact on gross domestic product but negative relationship, while company income tax (CIT) and petroleum profit tax (PPT) did not show significant impact but depicted positive correlation. The import of this revelation is that more attention needs to be paid on indirect taxes in order to make them have the desired positive impact on economic performance of Nigeria.

Ogu, et al. (2020) studied the impact of inflation on economic growth in Nigeria using time series data and ordinary least square (OLS) for the analysis. The finding revealed that inflation had negative and significant influence on economic growth in Nigeria. Sule (2020) investigated the impact of tax revenue on Nigeria Economy. Four hypotheses were stated and tested. The study used mostly secondary data from the Central Bank of Nigeria Bulletin (CBN) for 2018 and reports from Federal Inland Revenue for the period of 35years (1984 – 2018). The study used Regression Analysis and applied Autoregressive - Distributed Lag (ARDL) based on

the outcome of the unit root test and to discover both long and short run effect. The study revealed that Petroleum Profit Tax has a negative and significant impact on the Nigeria Gross Domestic Product in the short run but has a positive impact on the long run. Custom and Excise Duty has a negative impact on Nigeria Gross Domestic Product in the short run but a positive impact on the long run, Company income Tax has a both positive and significant effect on Nigeria Gross Domestic Product at both short run and long run and value added as a significant negative impact on economic growth.

Aliyu et al. (2020) determined the impact of tax revenue on economic growth in Nigeria, spanning from 1981 to 2017. It employs, time series data obtained from the CBN statistical bulletins, FIRS annual publications and National Bureau of Statistics (NBS) portal. To achieve the objectives of the study, OLS and ARDL techniques were employed to estimate the relationships and the dynamics and longrun effects of independent variables on dependent variable. ARDL bound test revealed that the variables are cointegrated while ARDL long-run estimation indicated that petroleum profit, value added tax and government domestic debt are significant and positively related to GDP. In addition, company income tax and customs and excise duties came out significant but have negative impact on economic growth.

Ngwoke (2019) evaluate the effect of taxation on economic growth (2007-2017). The specific objectives were to; evaluate the effect of petroleum profit tax on the real gross domestic product of Nigeria, examine the impact of company income tax on the real gross domestic product of Nigeria and determine the impact of custom and excise duty on the real gross domestic product of Nigeria. The study adopted ex-post facto. The study made use of secondary data obtained from the Central Bank of Nigeria Statistical Bulletins for the relevant years. The hypotheses were tested using unit root test and regression analysis statistical tool. The following findings were made for this study: Petroleum profit tax has significant effect on the gross domestic product of Nigeria. Company income tax has significant effect on the gross domestic product of Nigeria and Customs and excise duties have significant effect on the gross domestic product of Nigeria.

Okumoko and Akara (2018) investigated impact of Foreign direct investment (FDI) on economic growth using Augmented Dickey Fuller (ADF), Johansen cointegration error correction model (ECM), and Pairwise Granger causality tests for the analysis of data. The finding revealed that FDI had positive and insignificant influence on economic growth. However, FDI and economic growth had bi-directional causality. Ogbonna and Appah (2016) assessed the effect of tax administration and revenue on economic growth of Nigeria. The data collected from the questionnaire and secondary data were analyzed using relevant regression analysis. The results reveal that there is a significant relationship between Personal income tax revenue (PITR) and per capita income, Company income Tax Revenue and Gross Domestic product of Nigeria, VAT revenue and PCI of Nigeria, Petroleum Profit Tax revenue and GDP of Nigeria and tax administration and Gross domestic product of Nigeria.

Cornelius et al. (2016) examined the impact of tax revenue on the Nigerian economy. Data were sourced from Central Bank Statistical Bulletin and extracted through desk survey method. Ordinary least square of multiple regression models was used to establish the relationship between dependent and independent variables. The finding revealed that there is a significant relationship between petroleum profit tax and the growth of the Nigeria economy. It showed that there is a significant relationship between non-oil revenue and the growth of the

Nigeria economy. The finding also revealed that there is no significant relationship between company income tax and the growth of the Nigeria economy.

**Methodology**

This study adopted the ex-post facto research design. The model specification of this study is based on the modification of Aliyu, et al. (2020):

$$GDP = f(CIT, PPT, CED, VAT, GDD) \tag{1}$$

Where: GDP = gross domestic product; CIT = company income tax; PPT= petroleum profit tax; CED = customs and excise duty; VAT = value added tax; GDD= government domestic debt

To achieve the objective of this study, the researcher modified the model to accommodate other variables; thus:

$$GDP\_PCG = f(CIT, CGT, \& GIT, FDI, INF) \tag{2}$$

$$GDP\_PCG = \beta_0 + \beta_1 CIT + \beta_2 CGT + \beta_3 GIT + \beta_4 FDI + \beta_5 INF \tag{3}$$

$$GDP\_PCG = \beta_0 + \beta_1 CIT + \beta_2 CGT + \beta_3 GIT + \beta_4 FDI + \beta_5 INF + \mu \tag{4}$$

Where: GDP\_PCG = gross domestic product per capita growth; CIT= company income tax; CGT= Capital gain tax; GIT= gas income tax; FDI = foreign direct investment; INF = inflation;  $\mu$ = error term;  $\beta_0$ = constant;  $\beta_1$ - $\beta_3$ =estimated parameters. A priori expectation:  $\beta_1, \beta_2,$  and  $\beta_3 > 0$ . Data collection method was secondary and the relevant data were collected from the Central Bank of Nigeria (CBN) statistical bulletin and world banks world’s development indicators. The data covered the periods from 2008q1 to 2022q4. For data analyses the study used econometrics to unit root test- use the Augmented Dickey-Fuller (ADF) test and autoregressive distributive lag (ARDL) bound test. Besides, the ARDL long run and short run ECM are used. In addition, post-estimation tests such as Ramsey reset test, serial correlation LM test, homoscedasticity to obtain Jarque Bera value test were used.

**Analysis and Results**

The pre-estimation, estimation, and post-estimation analysis were conducted as follows:

**Table 1: Augmented Dickey Fuller (ADF) unit root**

Variables	Levels		First Difference		Order of Integration	P-value
	ADF Statistics	5% Critical Value	ADF Statistics	5% Critical Value		
LGDP_PCG	-0.553081	-1.948686	-2.946625	-1.948686	1(1)	0.0023
LCIT	-2.389446	-1.948686			1(0)	0.0066
CGT	-0.052813	-1.947975	-4.903424	-1.948686	1(1)	0.0000
LGIT	-0.062562	-1.947975	-6.708204	-1.948140	1(1)	0.0000
LFDI	-0.357525	-1.948886	-2.362398	-1.948686	1(1)	0.0180
LINF	0.215919	-1.948686	-2.221956	-1.948686	1(1)	0.0269

Source: Author Computation 2024\* Level of significance at 5%

This study employs the Augmented Dickey-Fuller (ADF) unit root tests to check the order of integration of the variables and the results are presented in Table 1 The results of Augmented Dickey-Fuller (ADF) showed that the variables are integrated in different order or a combination of I(0) and I(1) series. The ADF result revealed that LCIT is stationary at levels 1(0) while, LGDP\_PCG, LGIT, LFDI and LINF are stationary after first differencing 1(1). This condition

makes the Autoregressive Distributive Lag (ARDL) Bounds test approach to co-integration appropriate for investigating the long-run relationship among these variables.

**Table 2: Cointegration ARDL Bound Test**

Test Statistics	Value	K
F-statistics	7.777459	5
Significance	I (0)	1(1)
10%	2.26	3.35
5%	2.62	3.79
2.5%	2.96	4.18
1%	3.41	4.68

**Source:** Authors computation 2024

From Table 2, the bound test result indicates that there exist long run relationships amongst the variables as the F-statistic value of 7.777459 exceeds both the lower and upper bound critical values. Thus, reject the null hypotheses of no long run relationship and accept its alternative. This means that there is a long-run relationship between taxation and economic well-being in Nigeria.

**Table 3: ARDL Long-run Result (LGDP\_PCG)**

Variables	Coefficient	Std. error	t-Statistic	Prob-Value
LCIT	0.334460	0.080820	4.138331	0.0004
LCGT	-0.361767	3.084653	-0.117280	0.9079
LGIT	1.234076	9.772172	0.126285	0.9009
LFDI	0.111215	0.035445	3.137682	0.0019
LINF	-2.225832	12.46494	-0.178567	0.8602

**Source:** Authors computation 2024

Table 3 shows that the company income tax (LCIT) has a positive (0.334460) relationship with the gross domestic product per capita growth (LGDP\_PCG). This implies that a unit increase in the log value of company income tax in Nigeria (LCIT) will lead to about 0.33% rise in the log value of gross domestic product per capita growth (LGDP\_PCG) in Nigeria. The p-value of 0.0004 indicates that there is a statistically significant relationship between company income tax and gross domestic product per capita growth. This result is in line with economic theory. Furthermore, the capital gain tax (CGT), revealed a negative (-0.361767) relationship with the gross domestic product per capita growth (LGDP\_PCG). This means that a unit increase in the capital gain tax (CGT) will result to about 0.36% decline in the log value of gross domestic product per capita growth (LGDP\_PCG) in Nigeria. However, the probability value of 0.9079 indicates that capita gain tax is statistically insignificant to influence gross domestic product per capita growth (LGDP\_PCG). The long-run ARDL result of the gas income tax (GIT), revealed a positive (+1.234076) relationship with the gross domestic product per capita growth (LGDP\_PCG) in Nigeria. This means that a unit increase in the log value of gas income tax (GIT) will result to about 2 units increase in the gross domestic product per capita growth (LGDP\_PCG) in Nigeria. However, the probability value of 0.9009 indicates that gas income tax is statistically significant to influence gross domestic product per capita growth (LGDP\_PCG).

Additionally, the foreign direct investment (LFDI), revealed a positive (+0.111215) relationship with the log value of gross domestic product per capita growth (LGDP\_PCG). This means that a unit increase in the log value of foreign direct investment (LFDI) will result to about 0.11% increase in the log value of gross domestic product per capita growth (LGDP\_PCG) in Nigeria. However, the probability value of 0.0019 indicates that capita gain tax is statistically significant to influence gross domestic product per capita growth (LGDP\_PCG). Finally, the inflation (LINF), in Nigeria revealed a negative (-2.225832) relationship with the gross domestic product per capita growth (LGDP\_PCG) in Nigeria. This means that a unit increase in the inflation (LINF) will result to about 2.2 units decline in the log value of gross domestic product per capita growth (LGDP\_PCG) in Nigeria. However, the probability value of 0.8602 indicates that inflation is statistically insignificant to influence gross domestic product per capita growth (LGDP\_PCG).

**Table 4: ARDL Short-run Result (LGDP\_PCG)**

Variable	Coefficient	Std. Error	t-Statistics	Prob
C	0.057251	0.026977	2.122254	0.0472
D(LCIT)	0.329696	0.103011	3.200592	0.0447
D(LCIT(-1))	-0.033157	0.126770	-0.261550	0.7965
D(LCIT(-2))	-0.069071	0.110235	-0.626581	0.5384
D(CGT)	-0.002143	0.006684	-0.320686	0.7519
D(CGT(-1))	0.000640	0.006079	0.105256	0.9173
D(CGT(-2))	0.001541	0.005521	0.264862	0.7940
D(LGIT)	-0.000301	0.005521	-0.054431	0.9572
D(LGIT(-1))	-0.014643	0.010449	-1.401369	0.1772
D(LGIT(-2))	-0.010598	0.009462	-1.120123	0.2766
D(LFDI)	0.073315	0.022828	3.211622	0.0405
D(LFDI(-1))	-0.018872	0.031090	-0.607007	0.5510
D(LFDI(-2))	-0.021452	0.028257	-0.759159	0.4571
D(LINF)	-0.326208	0.138422	-2.356625	0.0293
D(LINF(-1))	0.033908	0.166778	-0.203312	0.8411
D(LINF(-2))	-0.197765	0.128660	-1.537119	0.1408
Ecm (-1)*	-0.022139	0.009121	-2.427410	0.0253

Adj R<sup>2</sup> = 0.661342, F-statistics = 5.882089 (0.000059), DW = 1.867778

**Source:** Authors computation 2024

The ECM (-1) which is the error correction term has a coefficient estimate which is negative and also significant. It indicates the model to adjust toward long run equilibrium at a speed of 0.02% annually. This implies that the previous year's error can be corrected with an adjustment speed of 0.02% annually. The adjusted R-Square (R<sup>2</sup>) value indicates that 66% of the total variation in the dependent variable (LGDP\_PCG) is explained by the independent variables (CIT, CGT, GIT, FDI & LINF). The F-statistics is statistically significant significance indicating the overall model is significant. The Durbin-Watson statistics of 1.867778 which is approximately 2 reveals the absence of serial correlation in the model. Table 4 shows the short-run result of the model. It is indicated that company income tax in Nigeria (LCIT) is positive and significant in the most current period of the short-run. This result is in line with economic



theory. Similarly, the capital gain tax (CGT), in Nigeria revealed a positive and insignificant relationship with economic growth in the previous and second year period of the short-run. Likewise, the gas income tax (LGIT revealed a negative and insignificant relationship with the gross domestic product per capita growth (LGDP\_PCG) in the current, previous and second year period of the short-run. Also, the foreign direct investment (LFDI) revealed a positive and significant relationship with the gross domestic product per capita growth (LGDP\_PCG) in the current, previous and second year period of the short-run. Finally, the inflation (LINF) revealed a negative and significant relationship with the gross domestic product per capita growth (LGDP\_PCG) in the current, year period of the short-run.

**Table 5: Ramsey Reset Test, Serial Correlation LM Test and Homoscedasticity Test Results**

	F-Statistic	Prob-Value
Ramsey Reset Test	0.469220	0.5021
Breusch-Godfrey Serial Correlation LM Test	4.408946	0.0987
Breusch-Pagan-Godfrey Heteroskedasticity Test	6.548667	0.8101

Source: Authors computation 2024

From Table 5, the results of the diagnostic test shows that the linearity test using Ramsey Reset test indicates that the f-statistic (0.469220) with computed p-value of 0.5021 which is greater than 5 percent (0.05) critical value, hence the study reject the null hypothesis and conclude that the model is correctly specified. The result of the Serial or Autocorrelation Test using Breusch-Godfrey Serial Correlation LM Test shows that the f-statistic is 4.408946, with a Chi-Square probability value is 0.0987. This indicates that the probability value of about 63 percent (0.6329) is greater than 10 percent (0.05) critical value; hence the study confirms no serial correlation in the model. The result of the heteroscedasticity test using Breusch-Pagan-Godfrey test shows that the f-statistic is 6.548667 with a Chi-Square probability value of 0.8101. The result suggests that there is no evidence of heteroskedasticity in the model since the probability Chi-square value is more than 5 percent ( $P > 0.05$ ). So, residuals do have constant variance which is desirable in regression meaning that residuals are Homoscedastic.

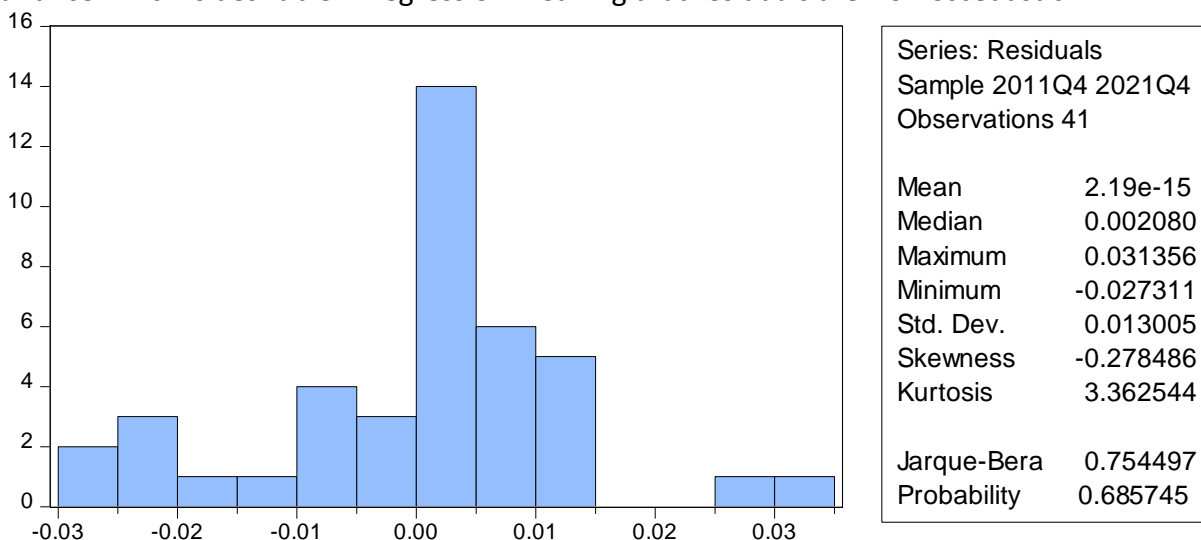


Figure 1, shows summary of the normality test with Jarque-Bara value of 0.754497 and a corresponding probability value of 0.685745 more than 0.05 level of significance, indicating that the residuals are normally distributed.

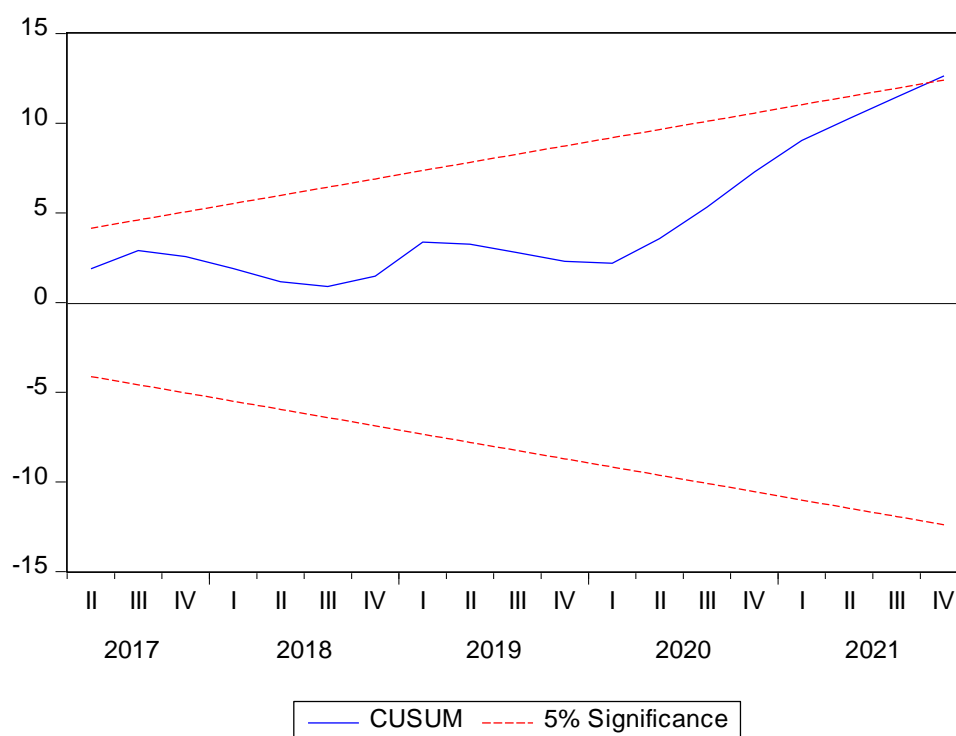


Figure 2 shows summary of the stability of the model. The graph showed that the model is stable, this is evident to the fact that, the blue line inside the graph is in between the two red lines. This also indicates that it is less than 0.05 level of significance.

### Discussion of Findings

The study examines the impact of taxation on economic growth in Nigeria. Inference drawn from the regression result on the relationship between company income tax (CIT) and gross domestic product per capita growth (GDP\_PCG) revealed that the company income tax (CIT) has a positive and significant relationship with gross domestic product per capita growth (GDP\_PCG) in the long-run and current year period of the short-run. This implies that an increase in company income tax (CIT) will greatly improve the revenue based of government. The studies confirmed the findings of Ogbonna and Appah (2016), Ngwoke (2019), Awa and Ibeanu (2020), Eze and Alagboro (2020), Sule (2020), and Ashibogwu et al. (2022). However, the studies of Cornelius et al. (2016) and Aliyu et al. (2020) are at variance; they established negative and significant relationship between company income tax and economic growth in Nigeria. The reason for the variation may be due to an improvement in tax revenue and its utilization in promoting economic growth in Nigeria. Besides, on the relationship between capital gain tax (CGT) and gross domestic product per capita growth (GDP\_PCG) showed that the capital gain tax (CGT) has a negative relationship with gross domestic product per capita growth (GDP\_PCG) in the long-run as well as the previous and second year period of the short-run. It is expected that increase in capital gain tax (CGT) will improve the revenue based of government.

Consequently, the relationship between gas income tax (GIT) and gross domestic product per capita growth (GDP\_PCG) has a positive and insignificant relationship with gross domestic product per capita growth (GDP\_PCG) in the long-run. It is expected that increase in gas income tax (GIT) will improve the revenue based of government. Ogbonna and Appah (2016), Cornelius et al. (2016) agreed to the findings but Eze and Atagboro (2020) is different because the influence of gas or petroleum was negative and significant. However, Sule (2020) established positive and insignificant relationship. In addition, the relationship between foreign direct investment (FDI) and gross domestic product per capita growth (GDP\_PCG) revealed that a positive and insignificant relationship with gross domestic product per capita growth (GDP\_PCG) in the long-run and the current year period of the short-run. It is expected that increase in foreign direct investment (FDI) will increase the revenue based of government. The finding is slightly different from Okumoko and Akara (2018) and Tarasa (2023) positions, their findings established positive and significant between FDI and economic growth in Nigeria.

Finally, on the relationship between inflation (INF) and gross domestic product per capita growth (GDP\_PCG) revealed that inflation (INF) has a negative and significant relationship with gross domestic product per capita growth (GDP\_PCG) in the current year period of the short-run. The confirmed Ogu et al. (2020) and Haliru (2022) studies. It implies that increase in inflation (INF) will decrease the revenue based of government. The study overall results, which is the same with all the empirical studies cited attest to the fact that the influence of the taxation on economic growth, which is positive and significant implies that prudent collection of taxes from relevant sources will greatly boost economic growth in Nigeria.

### **Conclusion and Recommendations**

The investigation is centred on the impact of taxation on economic well-being in Nigeria. It was established that the company income tax (CIT) had a positive and significant relationship with gross domestic product per capita growth (GDP\_PCG) in the long-run and current year period of the short-run. Also, the relationship between capital gain tax (CGT) and economic well-being, showed that capital gain tax had a negative and insignificant relationship with gross domestic product per capita growth (GDP\_PCG) in the previous and second year period of the short-run. Additionally, the result revealed that the gas income tax (GIT) and economic well-being had a positive but in insignificant relationship with gross domestic product per capita while foreign direct investment (FDI) had a positive and significant relationship with gross domestic product per capita growth (GDP\_PCG) in the long-run as well as the current year period of the short-run. Consequently, the relationship between inflation (INF) and economic well-being was a negative and significant relationship with gross domestic product per capita growth (GDP\_PCG) in the current year period of the short-run. Thus, the taxation has an enormous positive and significant influence on the economic well-being of Nigerians.

The study recommends that the Federal government, through the federal Inland Revenue service, should improve on the policies bordering on the company income tax such that as government improve their revenue, the companies should not be affected. In addition, the government should wield policies that will make the gas industry attractive such that government can improve their revenue through the gas industry Finally, government should make their tax policies flexible to investor, such that they can trade off tax revenue or proceeds from foreign investors to employment. This will help them achieve some form of macro-

economic objectives. The value added is that the study provides better information on ascertaining the relative impact of taxation on economic well-being. Besides, the methods and models built provide a frame work that allows components of taxation to be modeled alongside economic well-being.

### References

- Acemoghu, D. (2007). *Introduction to modern economic growth*. Retrieved from <https://www.theigic.org>.
- Akingunola, R. O., Adekunle, O. A., Badefo, O., & Salami, G.O. (2013). The effects of the financial liberalization on economic growth. *International Journal of Academic Research in Economics and Management Sciences*, 2(1), 226-364.
- Appah, E. (2014). *Principles and Practice of Nigerian Taxation*. Lagos: Andy Best Publishers.
- Aliyu, A. B. & Mustapha, A. A. (2020) Impact of tax revenue on economic growth in Nigeria (1981-2017). *Bullion*, 44 (4).
- Azubike, J.U.B. (2009). Challenges of tax authorities, tax payers in the management of tax reform process, *The Nigerian Accountant*, 42 (2),36-42.
- Ashibogwu, N. K, Abogbanwa-Eyimofe, M. B. & Toneradu, L. J. (2022). Tax Revenue Utilization and Economic Development in Nigeria. *Khazar Journal of Humanities and Social Sciences*, 5(3) 2022, 28-42.
- Awa, F. N. & Ibeanu, R. I. (2020). Impact of tax revenue on economic development in Nigeria (1997- 2018). *European Journal of Accounting, Auditing and Finance Research*, 8 (7), 18-32.
- Cornelius, M. O., Ogar, A. & Oka, F. A. (2016). The impact of tax revenue on economic growth: Evidence from Nigeria. *IOSR Journal of Economics and Finance (IOSR-JEF)*, 7 (1), 32-38.
- Chigbu, E.E., Akujuobi, L.E., &Appah, E., (2012). An empirical study on the causality between economic growth and taxation in Nigeria. *Current Research Journal of Economics Theory*, 4 (2), 29-38.
- Eze, G. P., & Atagboro, E. (2020). Impact of tax revenue on economic performance of Nigeria. *International Journal of Management and Commerce Innovations ISSN 2348-7585*, 7 (2), 1466-1477.
- Igwebuike, E. C., Ude, S. N., & Okonkwo, O. M. (2019). Financial liberalization and economic growth in Nigeria (1981-2016). *International Academic Journal of Business Administrative Annals*, 7(1), 2382-9175.
- Mkadmi, J. E., Bakari, S., & Othmani, A. (2021). *The impact of tax revenues and domestic investments on economic growth in Tunisia*. Tunisia: Munich Personal RePEc Archive.
- Nzotta, S.M. (2007). Tax evasion problems in Nigeria: A critique. *The Nigerian Accountant*, 40(2), 40-43.

- Ogbonna, G. N. & Appah, E. (2016). Effect of tax administration and revenue on economic growth in Nigeria. *Research Journal of Finance and Accounting*, 7 (13). <https://www.iiste.org>.
- Ogu, M., Adagiri, I. H., & Abdulsalam, A. (2020). Impact of inflation on economic growth in Nigeria 1999-2017. *UMYU Journal of Counselling and Education Foundation*, 1(1). <https://www.researchgate.net/3521>.
- Okumoko, T. & Akarasa, E. A. (2018). Impact foreign direct investment on economic growth in Nigeria. *International Journal of Applied Philosophy*, 8(1), 170-176.
- Ngwoke, O M (2019). Effect of taxation on economic growth (2007-2017). *European Journal of Accounting, Finance and Investment*, 5 (4).
- Sule, S. E. (2020). Impact of tax revenue on the Nigeria economy. A thesis submitted to the school of postgraduate studies, Salem University, Lokoja, in partial fulfillment of the requirements for the award of masters of Science, accounting option.
- Tarasa, A. S. (2023). Impact of Foreign direct investment on Nigeria economic growth. *Studies Economics and Business Relation*, 4(2). Doi: 1048/85/sebr.v4i2.848.
- Todaro, M. P. & Smith, M. (2009). *Economic development (6<sup>th</sup> ed.)*. UK: British Lib.