



TAX REVENUE AND ECONOMIC DEVELOPMENT IN NIGERIA

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ABSTRACT

This study empirically examined the robustness of tax revenue as a tool to promote economic development in Nigeria. To accomplish this feat, the study employed time series data for a period of 29 years (1991-2020). These relevant data were gathered from the office of the Federal Inland Revenue Services (FIRS) and the United Nations Data Bank for the relevant period. From the analysis of the model specified / data gathered, the study revealed that company income tax (CIT), Petroleum profit tax (PPT) and Tertiary Education Tax (TAT) have a positive and significant impact on economic development in Nigeria while National information technology development levy (NITDL) has no significant impact on economic development in Nigeria. Premised on the submission above, the study recommended that there is a need for proper channelling of revenue from NITDL to improve the information technology sector of the economy, that there is a need to improve the collection of revenue from company income tax and that revenue from petroleum profit tax (PPT) should be appropriately directed to the provision of basic amenities.

Keywords: company income tax, petroleum profit tax, tertiary education tax, national information technology development levy

1. INTRODUCTION

One of the major goals of any country is to achieve economic growth and development. Economic growth is an improvement in the productive capability of a country by looking at the difference between the Gross Domestic Product (GDP) of



a county in a year with that of the earlier year (Inyama & Ubesie, 2016), while economic development is an increase in the per capita income of a country in addition to the creation of conditions that contribute to the advancement of individuals, firms, corporate organisations and the society at large.

The provision of basic infrastructures such as security, education, health, and electricity is paramount for development to take place in a given society. These services cannot be provided at a relatively low cost by the private sector than the government (Ocheni, 2018). To provide these services, the government needs funds and the major source through which funds can be derived is taxation (Edewusi & Ajayi, 2019). Tax is a levy compulsorily imposed on the income of a firm, individual, or organisation by a public authority to generate revenue while taxation is the process of generating revenue through the imposition of taxes (Anyaduba, 1999).

Though tax is not the only source of government revenue, there are other sources of government revenue such as aid, revenue from natural resources, loans and so on. However, tax revenue stands out as the most important source of government revenue (Forstater, 2018). This is due to its certainty characteristics (it is more certain than other sources of government revenue) and its flexibility criterion (it can be adjusted to suit its desired purpose). In Nigeria, the bulk of the revenue that is used for developmental purposes is derived from the sales of crude oil (Ironkwe & Agu, 2019). The recent negative impact of the fluctuating oil prices on the country's revenue has made the government shift its focus to the non-oil sector (mainly taxes) in order to stimulate economic growth and development (Afuberoh & Okoye, 2014).

Since taxation is one of the media through which the government derive revenue to finance its developmental goals and to support the above assertion, it can be implied that higher taxes could result in an increment in government expenditure on economic activities if the taxes collected by the government are spent on key areas of the economy (Slemrod, 2013). On the other hand, a proponent of tax cut such as Ferde and Dahlby (2012) opined that tax cut (reduction in tax rate) boost the economy by increasing disposable income which in turn boost demand for goods and services which leads to an increase in business activities and encourages business to hire more workers (Tax Policy Centre, n.d). In reaction to the tax cut, Cluotier (2017) asserts that tax reduction favours the rich more because it leads to a



reduction in government spending on infrastructure, which is majorly consumed by the poor in society.

Motivation for The Study

The discussions on the impacts of revenue from taxation on economic development have yielded mixed results in extant literature. Some researchers (Lyndon & Paymaster, 2016; Nwanakwere, 2019; Etim, et al, 2020; Islam, 2019) shown an affirmative relationship between revenue from taxes and economic development while others (Edame & Okoi, 2014; Gwa & Kase, 2018) established a negative relationship between revenue from taxes and economic development. Furthermore, most research on the influence of tax revenue on economic development in Nigeria used a single measure of economic development such as real GDP (Khadijat & Kabir, 2019; Maganya, 2020; Onwuka, & Christian, 2019; Samuel, Adewole, & Idih, 2019; Nwanakwere, 2019), expenditure on electricity generation (Anyaduba & Aronmwan, 2015), and expenditure on transport and communication (Oladipupo & Ibadin, 2015). Only a few studies (Ocheni, 2018; Ibanichuka, Akani, & Ikebujo, 2016; Okonkwo & Chukwu, 2019; Ofoegbu, Akwu, & Oliver, 2016) have used composite measures such as Human Development Index as a proxy for economic development. Furthermore, most researches on tax revenue and economic development focus mainly on petroleum profit tax, Tertiary Education Tax, Company Income Tax, Petroleum Profit Tax and Personal Income Tax, no Nigerian study has investigated the impact of Tertiary Education Tax (TET) and National information technology development levy (NITDL) on the human development index as a proxy for economic development in Nigeria. Against this backdrop the following research questions were raised:

1. What is the impact of the National Information Technology Development Levy on economic development?
2. What is the influence of Company Tax on economic development in Nigeria?
3. What is the impact of the Petroleum Profit Tax on economic development in Nigeria?
4. What is the impact of the Tertiary Education Tax on economic development



2. LITERATURE REVIEW

Economic Development

Economic development is a notion that connotes different things to diverse persons. Thus, it is challenging to have a sole consensus definition of the term economic development (Feld, Hadjimicheal, & Lanahan, 2016). The concept of economic development was initially construed in terms of the growth of output in a given period and later it was seen as an increase in per capita income. In the 1950 and 1960s, the concept of growth and development were used interchangeably but this misconception was later corrected when developing nations started realising their growth target with little or no improvement in the living standard of people in the country. Hence this ambiguity in the earlier definition of economic development leads to the subsequent definition of economic development in terms of elimination of illiteracy, improvement in the health of the people, elimination of disease in society and increase in per capita income. Economic development is, therefore, the transformation of a country with low income into a modern industrialised nation (Salmon Valley Business Innovation Centre, 2014). It includes both social and economic improvements in a nation's economy (Drewnoski, 1966).

Measures of Economic Development

The concept of economic development cannot be completely captured by a single measure because it is a multivariate notion that connotes different things to different people. However, different measures have been used over the years by researchers to proxy economic development, these measures are real GDP (Worlu & Emeka, 2012; Ogbonna & Appah, 2012; Nwanakwere, 2019; Mamuda & Alhassani, 2021), Human Development Index (Ocheni, 2018; Obaretin & Uwaifo, 2020; Ibanichuka, Akani, & Ikebujo, 2016;), expenditure on electricity generation (Anyaduba & Aronmwan 2015), expenditure on transport and communication (Oladipupo & Ibadin, 2015), Gender Development Index (GDI), Human Poverty Index (HPI), Gross National Income (World Bank, United Nations), Gross National Product (GNP), infant mortality rate, life expectancy rate, the literacy rate among others. In this study, economic development was proxied by Human Development Index. The justification for using HDI is because it is the most recognised composite measure of economic development.



Tax Revenue

Tax revenue is income generated by a country through the imposition of taxes such as personal income tax, company income tax, petroleum profit tax, National information technology development levy and tertiary education tax.

National Information Technology Development Levy and Economic Development

This Levy is used to promote and develop information technology in Nigeria. Information technology stimulates growth and development in a country by increasing productivity and creating new products through innovation. Investment in information technology also plays an important part in a country's economic development by providing employment opportunities.

According to the information disclosed on the website of Federal Inland Revenue Services (2019) revenue from the information technology development levy in Nigeria had been used to provide nine hundred and eighty-eight digital job creation centres to develop digital skills, and to provide broadband internet connections to the rural area, schools, and libraries. These job creation centres help to provide an enabling environment that encourages innovation and entrepreneurship which are the core drivers of economic development. In the same vein, the revenue from the information technology development levy has also been used to provide for a scholarship intervention programme to promote proficiency in information technology at both doctorate level and master's levels. This is done to produce globally competitive human capital in the area of information technology to drive the development of the country. So far 247 Nigerians had been sponsored on information technology training at the master's level and 24 persons at the doctorate level (FIRS, 2019).

Furthermore, the revenue from the information technology development levy had been used to build human capacity in the area of information technology under the human capacity building intervention programme. Under this programme, a total of 200 people with disability had been trained on the use of information technology in order to improve their standard of living. Under this same programme, training had also been carried out on CEOs and MDAs on information technology to ensure that



all Nigerian executives are properly informed on the National e-governance agenda and in addition to training them on e-governance (FIRS,2019).

Company Income Tax and Economic Development

Nwakanna and Nnamdi (2013) investigated the link between taxation and Nigeria's economic development. In the study annual time series data were collected for a time frame between 1970 to 2010. The collected data were estimated with the Ordinary Least Squares (OLS) regression estimation technique. The outcome of the investigation revealed a positive and significant relationship between company income tax and the human development index as a proxy for national development in Nigeria.

Ibanichuka, Akani, and Ikebujo (2016) investigated the effect of the revenue from taxation on Nigeria's economic development for twelve (12) years starting from the year 1993 to 2014. The data generated from the study were estimated with the ordinary least squares (OLS) regression analysis technique. The study revealed that company income tax is positively and significantly associated with economic development (Human Development Index)

Onakoya and Afintinni (2016) investigated the relationship between tax revenue and economic growth in Nigeria for the period 1980 to 2013. The study found a positive and significant relationship between company income tax and economic growth proxied with real gross domestic product, this result is in consonant with the study of Yahaya and Bakare (2018) but at variance with the study of Nwanakwere (2019) who found a negative but significant relationship between CIT and economic growth in Nigeria.

Petroleum Profit Tax and Economic Development

Ilaboya and Ofiafor (2014) investigated the relationship between petroleum profit tax and economic growth in Nigeria from the period 1980 to 2011. In that study, the real GDP was used as a proxy for economic growth in Nigeria. The facts obtained were analysed with the use of a combination of cointegration and error correction co-integration. The outcome of the analysis shows that petroleum profit tax has a positive and significant association with economic growth. The study recommended that companies in the petroleum upstream sector should be listed on



the Nigeria Stock Exchange in order to enhance the accountability and transparency of their transactions.

Salami, Apelogun, and Omidia (2015) investigated the impact of taxation on economic growth in Nigeria. In the study economic growth was proxied with real gross domestic product. The data for the study were sourced from the Central Bank of Nigeria's annual statistical bulletin and the National Bureau of Statistics (NBS). The data collected were from the period 1976 to 2006. The study employed the OLS regression technique in analysing the variables. From the results of the analysis, a positive and significant relationship was found between petroleum profit tax and real gross domestic product. The implication of this is that an increase in petroleum profit tax revenue will lead to an improvement in the growth of the economy. Hence the study recommended among others that fiscal law should be improved to checkmate tax offenders also there should be an improvement in the administration of taxes in Nigeria.

Okoh, Onyekwelu, and Iyidiobi (2016) conducted a study on the impact of petroleum profit tax on Nigeria's economy for a period of twelve years using time series data from 2001 to 2015. In that study, the explanatory variable was petroleum profit tax and the explained variable was proxied by gross domestic product. These variables were analysed using the Ordinary Least Square estimation technique and the result suggested that petroleum profit tax has a positive and significant association with gross domestic product. The study recommends that petroleum profit tax should be used as a fiscal tool to improve the economy.

Obaretin and Monye-Emina (2019) investigated the impact of petroleum profit tax on Nigeria's economy for the period 1994 to 2015. The dependent variable (economic development) was proxied with gross domestic product. The data for the study was collected from the National Bureau of Statistics and the CBN statistical bulletin and the data were analysed with the use of the Ordinary Least Squares (OLS) regression estimation technique. The result from the ordinary least squares (OLS) regression disclosed that the revenue from petroleum profit tax is positively and significantly associated with economic development in Nigeria. The result of this study is in consonance with the study of Inimoni et al, (2020) who also found a positive and significant relationship between petroleum profit tax and economic growth in Nigeria.



Aliyu and Mustapha (2020) examined the effect of petroleum profit tax on economic growth in Nigeria for the period 1981 to 2017. The study found a positive and significant relationship between petroleum profit tax and economic growth in Nigeria. The study recommended that the government presence should be felt in all aspects of the economy in other to boost the compliance behaviour of taxpayers in Nigeria.

Tertiary Education Tax and Economic Development

Human capital development is important for economic development to take place in a country (Lawal & Wahab, 2011), a country cannot attain sustainable development without investing in human capital that drives the economy, to put it differently, a country cannot develop more than its human capital. Education helps to improve the understanding of oneself and the world at large. It increases the productive capacity of people and also contributes to technological advancement in the economy. A study conducted by Lucas (1998) revealed that the higher the level of education of labour forces in a country the higher the productivity of the country. This assertion can be attributed to the fact that the more educated a person is, the more likely he or she will be innovative and it is an innovation that drives the development of an economy.

In Nigeria, one of the means through which government derives revenue to supplement the funding of education is through education tax. Hence, it will not be completely out of place if we assert that higher education tax will lead to more funding for tertiary education in the country. Anyaduba and Aronmwan (2015) studied the influence of the Federal government's collected tax revenues on infrastructural development which was proxied by the percentage of electricity produced from hydroelectric sources in Nigeria from 1980 to 2014. The study shows that tertiary education tax significantly impacts the level of infrastructural development. premised on the above, the study suggested that taxes should be properly administered in a way that collections and remittances will not be evaded so that their impact can be properly seen in the form of enhanced infrastructural development.



Theoretical Framework

Every tax system has both negative and positive effects on the behaviour of taxpayers, the crux of the optimal tax theory is to design a tax system that will be efficient (capable to raise maximum revenue) and equitable (felt evenly by all the taxpayers) without causing any distortion on the behaviour of taxpayers (Golosov & Tsyvinski, 2006).

Optimal tax theory addresses issues such as: should the government use labour taxes or income taxes? How should the tax rate vary? And how progressive should the tax system be? Optimal tax theory is based on the following methodological assumptions, the first assumption is that a specific amount must be raised by the government or the government wants to raise a specific amount of revenue, secondly, the objectives of the government must align with the objectives of the citizens that is to promote the welfare of the citizen, and thirdly the tax structure should be the one that avoids distortion and inefficiency.

This study is anchored on the optimal tax theory. The justification for this is that the optimal tax theory examined how government can generate maximum revenue through taxation from its citizen to provide the basic amenities that are needed for the development of the society and at the same time minimising the distortionary effect of taxes on the behaviour of the taxpayer, which is in line with the objectives of this study.

3. METHODOLOGY

The longitudinal research design was employed in the study because our data were observed over twenty years (1991 to 2020). The relevant data for the study were gathered from the office of the Federal Inland Revenue Services (FIRS) and the United Nations Data Bank for the relevant period. The ARDL estimation model was adopted in the study. The dependent variable was the human development index and the independent variables were company Income Tax (CIT), Petroleum Profit Tax (PPT), Tertiary Education Tax (TAT) and National Information Technology Development Levy (NITDL).



Model Specification

The study adopted the model of Ogbonna and Appah (2012). The model of Ogbonna and Appah (2012) is specified below in equation one (1)

$$\text{GDP} = f(\text{PIT}, \text{CIT}, \text{VAT}, \text{ET}, \text{PIT}, \text{CED}) \dots\dots\dots (1)$$

Where:

RGDP (RealGross Domestic Product), PPT (Petroleum Profit Tax), CIT (Company Income Tax), VAT (Value Added Tax), ET (Education Tax), PIT (Personal Income Tax), and CED (Custom and Excise Duties)

Our model is stated in functional form as

$$\text{HDI} = f(\text{NITDL}, \text{CIT}, \text{PPT}, \text{TET},) \dots\dots\dots (2)$$

In the econometric form the model is stated as:

$$\text{HDI} = \beta_0 + \beta_1 \text{HDI}_{t-i} + \beta_2 \text{NITDL}_{t-i} + \beta_3 \text{CIT}_{t-i} + \beta_4 \text{PPT}_{t-i} + \beta_5 \text{TET}_{t-i} + U_t \dots\dots\dots (4)$$

Where:

HDI = Human Development Index, RGDP = Real gross domestic product, PPT = Petroleum Profit Tax, CIT = Company Income Tax, TET = Tertiary Education Tax, NITDL = National Information Technology Development Levy, $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ = Coefficients, t = time, i = Lag period, U = Error Term, A-priori expectation $\beta_2, \beta_3, \beta_4, \beta_5 > 0$



Table 1
Operationalisation of Variable

S/N	Variables	Variable type	measurement	Source
1	Human Development Index	Dependent	Captured using the geometric mean of the educational index, income index and health index in Nigeria	Ocheni (2018)
2	National Information Technology Development Levy	Independent	Captured using total National Information Technology Development Levy paid by companies in Nigeria	
3	Company Income Tax	Independent	Captured using total corporation tax paid by Companies in Nigeria excluding petroleum operating companies	Ikebujo, Ibanichuka, and Akani (2016)
4	Petroleum Profit Tax	Independent	Captured using total petroleum tax paid by petroleum Companies in Nigeria	Appah and Ebiringa (2012)
5	Tertiary Education Tax	Independent	Captured using total education tax paid by companies to the government)	Anyaduba and Aronmwan (2015)

Source: Researcher's Compilation (2021)

4. RESULTS AND DISCUSSION OF FINDINGS

In other to ensure that our ARDL regression model confirms the basic assumptions underlying the regression modelling, the following diagnostic test (normality test, multicollinearity test, and serial correlation test) were conducted.

Normality Test

In other to ascertain if our variables are normally distributed, we used the histogram

normality distribution test. The result of the histogram normality test is as presented in Fig. 1

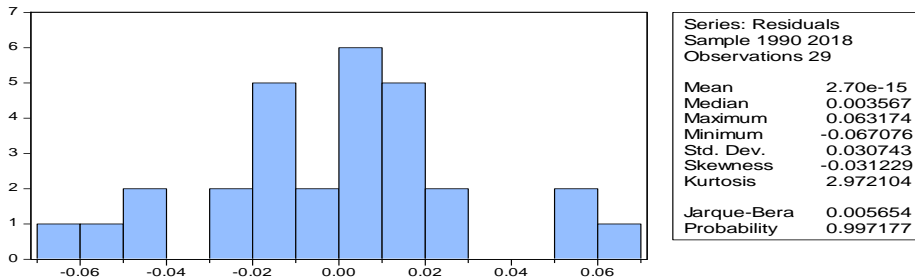


Fig 1. Histogram Normality Test

The decision rule of the histogram normality test is to reject the null hypothesis that the residuals (u) are not normally distributed when the p-value is less than 0.05 (5%). The Jarque Bera statistics which is a summary statistics that measure the normality of the distribution established to have a value of 0.005 with an associated p-value of 0.99, this indicates that the variables are normally distributed at a 5% critical level. This, therefore, leads to the rejection of the assumption of the existence of an outlier in the model

Multi-collinearity Test

To test for the presence of multicollinearity in our variable we utilised the Variance Inflation Factors (VIF) test. The outcome of this test is shown in Table 2.

Table 2
Variance Inflation Factor

Variable	Coefficient Variance	Uncentered VIF	Centred VIF
C	0.194613	4123.795	NA
HDI	0.920691	5115.615	6.849815
NITDEF2	3.85E-05	59.16851	4.873319
CIT	4.34E-09	91.24508	9.198323
PPT	1.40E-10	13.91416	1.698636
TET	3.85E-08	23.93251	2.764233

Source: Eviews 9 Output, 2021

The decision rule of the Variance Inflation Factor (VIF) test presented in Table 2 is



To accept the hypotheses that there is no multicollinearity if the VIF value is less than ten (10) but if the VIF value is higher than ten (10) we reject the hypothesis that there is no multicollinearity and accept the hypothesis that there is multicollinearity.

Judging from the result in Table 2, it can be observed that all the centred VIF values are not up to the value of 7, thus they are all far below the benchmark value of 10. This is an indication that multicollinearity issues are absent among the variables.

Test for Misspecification

Table 3
Ramsey RESET Test

F-statistics	0.1606
Prob. F(2,56)	0.1606

Source: Researcher's compilation from eview output, 2021

The Ramsey RESET Test was carried out to determine whether there was a specification error. The decision rule of the Ramsey Reset test is to accept the hypothesis that the model is rightly specified when the p-value is higher than 0.05.

The Ramsey RESET Test was carried out to determine whether there was a specification error. The output of the Ramsey Reset test shows that there is no indication of miss-specification since the p-value (0.1606) is greater than 0.05.

Stationarity Test

The Augmented Dickey-Fuller (ADF) test was done to ascertain the stationarity state of the variables under investigation. The result of the ADF test is as shown in Table 4



Table 4
Presentation of Unit Root Test

AT LEVEL				
Variable	ADF	Critical value	Prob. value	Remark
HDI	-0.293658	-2.971853	0.913	NOT STATIONARY
NITDL	0.361363	-2.971857	0.97	NOT STATIONARY
CIT	-3.021154	-3.004861	0.048	STATIONARY
PPT	-1.216714	-2.971853	0.6527	NOT STATIONARY
TET	-0.780439	-2.971853	0.8092	NOT STATIONARY

AT FIRST DIFFERENCE				
Variable	ADF	Critical value	Prob. value	Remark
HDI	-5.143103	-2.976263	0.0003	STATIONARY
NITDL	-4.476330	-2.976263	0.0015	STATIONARY
CIT	-1.702039	-3.012363	0.4158	NOT STATIONARY
PPT	-4.693158	-5.143103	0.0009	STATIONARY
TET	-6.615017	-2.976263	0.0000	STATIONARY

Source: Researcher's compilation from Eview 9 output, 2021

The information in Table 4 above summarised the results of the stationarity test that was conducted on the variables under consideration. From Table 4 it can be seen that it was only company income tax (CIT) that was stationary at the level, the other variable (petroleum profit tax [PPT], national information technology development levy [NITDL], and tertiary education tax [TET]) were stationary at the first difference. therefore, we went a step further to conduct a Bound test to check if the variables are cointegrated (i.e if there is the existence of a long-run relationship among the variables). The result of the cointegration test is as presented in Table 5



Tests for Cointegration

Table 5
Bound test

Dependent variable	F-statistic	Critical value	cointegration	Remark
HDI	1.557678	I(0)= 2.86 I(1)=4.01	No cointegration	Estimate with ARDL model

Source: Researcher’s compilation from Eview 9 output, 2021

Table5 shows the result of the bounds test which was conducted to determine whether there is a long-run relationship between the variables. From the result in Table.5, the model was found to have an F-statistical value of 1.557678 which is lower than the critical values of $I(0) = 2.86$ and $I(1) = 4.01$ which indicates the absence of a long-run relationship between tax revenue and economic development (proxy by human development index) in Nigeria, this lead to the estimation of the Autoregressive distributed lag model to check for the short-run relationship between these variables. The justification for using the ARDL regression model is because one of our variables was stationary at a level while the others were stationary at first difference as observed in Table 4.

Table 6
Regression Result: ARDL

Variable	Coefficient	Standard error	t-Statistic	Prob.
HDILIN(-1)	0.202776	0.165333	1.226470	0.2511
HDILIN(-2)	-0.328508	0.212553	-1.545530	0.1566
HDILIN(-3)	-0.472371	0.197662	-2.389795	0.0406
NITDEF	-0.004498	0.002677	-1.680259	0.1272
LOG(CIT)	0.044495	0.020151	2.208092	0.0546
LOG(CIT(-1))	-0.060439	0.028475	-2.122531	0.0628
LOG(CIT(-2))	0.008187	0.018721	0.437320	0.6722
LOG(CIT(-3))	0.031318	0.014921	2.098893	0.0652
PPT	-3.47E-07	2.04E-06	-0.170265	0.8686
PPT(-1)	-1.18E-05	6.77E-06	-1.739318	0.1160
PPT(-2)	-1.44E-05	8.48E-06	-1.695475	0.1242
PPT(-3)	1.88E-05	6.93E-06	2.718420	0.0237
TET	0.000356	0.000146	2.428241	0.0381
TET(-1)	0.000152	0.000127	1.195538	0.2624
TET(-2)	-0.000171	7.93E-05	-2.154916	0.0596



TET(-3)	0.000185	6.16E-05	3.004720	0.0148
C	0.626854	0.103687	6.045650	0.0002
R square	0.98265			
Adjusted R square	.951875			
D. W. statistic	1.971642			
f- statistic	31.90511			
p-value	0.000006			

Source: Researcher compilations from Eview 9, 2021

From the information on the summary statistic in Table 6, the coefficient of determination which was represented by R^2 was found to have a value of 0.98, this implies that the independent variable account for 98% variation in the dependent variable. The remaining 5% left unaccounted for is been captured by the stochastic error term. The F-statistics which account for the overall significance of the model stood at a value of 31.9 with an associated p-value of 0.000006, therefore, indicating that on average the model has a joint statistically significant 5% confidence interval. The Durbin Watson statistics which account for the presence of autocorrelation in the model, stood at 1.97, which is approximately 2. This, therefore, indicates the absence of first-order serial correlation in the model.

The variable NITDL revealed a negative coefficient value of (0.0045) and a p-value of 0.1227. What this implies is that NITDL does not significantly impact economic development in Nigeria. On the contrary, the variable CIT showed a coefficient value of 0.03 and ap-value of 0.0652 which can be considered significant only at a 10% level of confidence. This, therefore, suggests that on average a percentage change in company income tax will lead to a 3% increase in economic development. This relationship was shown to be statistically significant at a 5% level of confidence.

Similarly, the variable PPT showed a coefficient value of 1.88E-05 and a p-value of 0.0237 meaning that taxes from petroleum operations in Nigeria impact positively and significantly on the economic development of Nigeria. Similarly, the independent variable of TET disclosed a coefficient value of 0.000185 and p-value of 0.0148 meaning that revenue from tertiary education tax in Nigeria impacts positively and significantly on economic development.



Discussion of Findings

As shown in the summary of the ARDL regression outputs in Table 6, the National information technology development levy (NITDL) as an independent variable to economic development showed a negative but insignificant influence on economic development at 5% and 10% levels of significance respectively. This means that the first null hypothesis should be accepted. Therefore, the National information technology development levy does not significantly affect economic development in Nigeria.

In the second hypothesis, the independent variable company income tax (CIT) showed a positive and significant influence on economic development at a 10% significant level. This means that the null hypothesis (H_{02}) two cannot be accepted. This implies that company income tax has a significant effect on economic development. This, therefore, means that income derived from taxes levied on companies if utilized well will increase the development of the Nigerian economy. This finding is in tandem with the findings of Manukaji (2018), Onakoya, Adegbemi, and Afintinni (2016), Ikebuju, Ibanichuka, and Akani (2016), Anyaduba and Aronmwan (2015) but at variance with the study of Igbasan (2017) who found a negative effect between company income tax and economic growth in Nigeria.

The result also showed that the independent variable petroleum profit tax (PPT) has positive and significant coefficient values at 5% significant levels. What this means is that the null hypothesis (H_{03}) should be rejected and the alternative hypothesis accepted— implying that the petroleum profit tax does significantly affect the economic development in Nigeria. It can thus be interpreted that the income that is being derived from taxes from petroleum operations in Nigeria if properly utilised will impact positively on the development of the Nigerian economy. This outcome is in agreement with our A-priori expectation of a positive relationship - based

on the assumption that the revenue from petroleum profit tax will be used to provide the basic amenities that are required for development to take place in the country. However, the result is at variance with the study of Gado and Obumneke (2014) which revealed a negative and insignificant impact of petroleum profit tax on economic growth in Nigeria



In the fourth hypothesis, the independent variable tertiary education tax (TET) showed a positive and significant influence on economic development at a 10% significant level. This means that the null hypothesis (H_{04}) four cannot be accepted. This implies that tertiary education tax has a positive and significant effect on economic development. This, therefore, means that the income derived from tertiary education tax if properly expended on education in Nigeria will lead to improvement in the development of the economy. This finding is in tandem with the findings of Anyaduba and Aronmwan (2015).

5. CONCLUSION AND RECOMMENDATION

Conclusion

The study examined the influence of selected tax revenue on economic development in Nigeria. The motivation of the study was drawn from the flawed use of RGDP and GDP as a measure for economic development and the dearth of an empirical study on the impact of taxes on economic development in Nigeria. The major aim of this study was to determine the impact of tax revenue on HDI as a proxy for economic development. Based on the outcomes of the study as presented in Table 6 above, it can be summarised that within the context of this study, CIT, PPT, and TET have a positive and significant impact on economic development while NITDL has no significant impact on economic development in Nigeria

Recommendations

Given the findings and conclusions drawn from the results of the study, the following policy recommendations are hereby suggested:

1. The national information technology development levy was revealed not to be significant in this study. The possible reason for the weak relationship may be because revenue from the National information technology development levy is not been utilised for the development of information technology infrastructure in the country. Hence, the study recommend that government should ensure that the revenue from the National information technology development levy is used to develop the information technology sector.



2. The outcome of this study on company income tax revealed that company income tax has a positive and significant influence on economic development. Thus the study recommends that adequate revenue should be generated from company income tax.
3. The outcome of this study on petroleum profit tax revealed that petroleum profit tax has a positive and significant influence on economic development. Thus the study recommends that adequate revenue should be generated through petroleum profit tax to provide basic amenities such as good roads, education, health, and security among others for it to impact the development of the country.
4. The significance of the tertiary education tax implies that revenue from this tax impact greatly on the development of the Nigerian economy. Therefore, the government should ensure that tertiary education fund that is disbursed to a public tertiary institution in Nigeria are properly utilised for the required purposes. They should also ensure that all the beneficiaries of the fund have equal access to this fund.

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