VOL. 07 NO. 7,
FEBRUARY, 2025
E-ISSN 3026-9679
P-ISSN 3026-9423



African Scholar Publications & Research International
www.africanscholarpub.com

Journal of Business Dev. and Management Res. (JBDMR)

Impact of Tax Reforms on Economic Development in Nigeria

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DOI: https://doi.org/10.70382/ajbdmr.v7i7.007

Abstract

This study investigated the impact of tax reforms on economic development in Nigeria using time series data from 2013 to 2022. Ex-Post facto research design was adopted. The time series data were obtained from the National Bureau of Statistics, Central Bank of Nigeria (CBN) statistical Bulleting and Federal Inland Revenue Service (FIRS) .In order to determine the impact of tax reforms on economic development in Nigeria, tax reforms were measured by reform in Petroleum Profit Tax (PPT), reform in Company Income Tax (CIT), reform in Value Added Tax (VAT) and custom and excise duty Tax (CED). The regression result showed that reforms in Value Added Tax (VAT), has significant negative value while Petroleum Profit Tax (PPT) and Company Income Tax (CIT), have significant positive impact and reform in custom and excise duty Tax (CED). Has insignificant impact on economic development in Nigeria. Based on this, the study concludes that tax reforms have significant impact on economic development in Nigeria.

Keywords: Economic Development, Petroleum Profit Tax (PPT), Company Income Tax (CIT), Value Added Tax (VAT) and Custom and Excise Duty (CED)

Introduction

Governments worldwide strive for individual and national development by implementing policies that promote cohesion and mutual agreement. A crucial aspect of this is the reform and strengthening of tax systems to enhance economic developement,(Mustapha, Olalekan, Damilola, Ayobami, & Ngozi, 2022) which is essential for funding public services and infrastructure (Ideh, 2019). Taxation serves as a primary revenue source for both developed and developing countries, facilitating economic stability and fulfilling social obligations (Emeneka, 2021). The necessity for tax reform is driven by evolving economic, social, and political landscapes, (Gbeke & Nkak, 2021) Particularly in Sub-Saharan Africa, where corruption and poor governance often hinder effective tax administration (Herbert, Nwaorgu, & Nwabueze, 2018). In developing nations, local resource mobilization is vital for achieving fiscal sustainability, and taxation plays a pivotal role in economic development (Akintola et al., 2022). Nigeria, in particular, faces challenges such as inadequate infrastructure, poor healthcare, high unemployment, and insufficient energy supply, which are compounded by a heavy reliance on oil revenues (Akintola et al., 2022; Akinola & Akinrinola, 2023). This dependence underscores the urgent need for comprehensive tax reforms aimed at broadening the tax base and enhancing revenue generation to support economic growth (Herbert et al., 2018).

Despite various economic plans and reforms since the colonial era, Nigeria continues to struggle with low tax-to-GDP ratios, currently standing at 8% compared to the OECD average of 34% (Shitu, 2020). Tax reforms are aimed at increasing tax revenues, improving taxpayer confidence, and promoting voluntary compliance (Udezo & Unuora, 2021). Historical efforts, such as the increase in VAT rates in 2019, reflect attempts to boost government revenue amidst fluctuating oil prices and inefficiencies in other economic sectors (Shitu, 2020).

Statement of the Research Problem

The interplay between tax policies and economic development in Nigeria is fraught with challenges, including corruption, tax evasion, and poor accountability (Taiwo & Ebere, 2023). The country's financial difficulties are exacerbated by low Internally Generated Revenue (IGR), hindering effective governance and infrastructure development (Akinola & Akinrinola, 2023). Given these challenges, understanding how tax policies impact economic growth is critical for achieving equitable income distribution and socioeconomic development.

Moreover, while many nations have successfully utilized tax systems to

promote economic growth, Nigeria's tax revenues remain significantly low, indicating systemic issues within the tax administration framework (Owolabi et al., 2019). Low institutional quality further complicates tax collection efforts, undermining the government's capacity to generate substantial economic growth (Gbeke & Nkak, 2021).

The theoretical debate surrounding the impact of tax reforms on economic development has yielded mixed results across various studies. Most existing research has either focused on the direct relationship between tax revenue and economic growth (Adegbite & Fasina, 2019; Efuntade, 2020). This study aims to fill this gap by exploring the effect of key tax reforms—Value Added Tax (VAT), Petroleum Profit Tax (PPT), Company Income Tax (CIT), and Customs and Excise Duties (CED)—on Nigeria's economic development from 2013 to 2022. It seeks to assess how these reforms impact economic growth both directly and indirectly, this research will critically evaluate the influence of tax reforms on Nigeria's economic development, thereby contributing valuable insights into the effectiveness of tax policies in fostering economic growth in Nigeria.

The main aim of this study is to examine the impact of Tax reforms on economic development in Nigeria. To achieve this purpose, the following objectives were formulated:

i. To determine the significant effect of value added tax on economic development in Nigeria.
ii. To determine the significant effect of petroleum profit tax on economic development in Nigeria.
iii. To determine the significant effect of company income tax on economic development in Nigeria.
iv. To determine the significant effect of custom and excise duties on economic development in Nigeria.

LITERATURE REVIEW

The Concept of Economic Development

Economic development can be defined as the ongoing, concerted efforts of policymakers and communities to improve a region's standard of living and economic health (Akintola et a., 2022). It entails combined action and all-encompassing, long-term investment that is concerned on the critical conditions needed for the micro economic working of the economy (Ewa et al., 2020). The economic development is centered around government activities and though it is undoubtedly feasible to have economic advances without development in the immediate or near term, economic

development generates the environments that enable long-run economic growth (Ewa et al., 2020). In the view of Emmanuel and Stephen (2021), economic development refers to all the changes in the economy, including the social, political and institutional changes that accompany changes in output.

The Concept of Tax Reforms

Tax reform is the process of modifying how the government collects and manages taxes, with the goal of improving tax administration or providing economic or social advantages (Institute of Development Studies 2020). Similarly, the reforms are deliberate and continuous actions by government and its agencies to alter existing tax laws and policies to positively impacts on tax administration and collection processes with minimal cost (Tyokoso et al., 2021). This is in line with Udezo and Onuora (2021) definition where they defined tax reform similarly as the deliberate and continuous actions by government and its agencies to alter the existing tax laws and policies to positively impact on the tax administration and collection process with minimal cost. Therefore, the country's tax reform are designed to broaden the tax base, reduce the tax burden on tax payers, restore the confidence of the tax payer on the tax system, and promote voluntary compliance on the part of the tax payer (Onuslogu & Onuora, 2021).

Concept of Value Added Tax (VAT)

Value Added Tax (VAT) is a form of consumption tax on all business profits and labor, which is levied on the value-added to the product at each stage of the production and distribution cycle as well as the price paid by the final consumer (Joseph, 2018). It is an assessment on utilization charged at each phase of the utilization chain and borne by the last customer of the item or administrations (Nnubia et al., 2020). It is also one of the family of indirect tax paid on the value added to goods and services by enterprises at each stage of the production and distribution process. It arises whenever a taxable person makes a supply of goods or services in the course of business operations (Singh, 2019). Kaoje et al. (2020) viewed VAT as the increase in the value of goods or services in the process of their production or delivery. In other words, VAT is the amount of value a firm contributed to a good or service by applying its own factors of production namely: land, labor, and capital and entrepreneurial ability.

Concept of Petroleum Profit Tax (PPT)

Petroleum taxation is the instrument of choice for sharing wealth between host governments and international oil companies, which is a direct tax, levied annually on

net profit of a petroleum taxpayer, who is carrying on the business of petroleum exploration and production (Yahaya & Bakare, 2018). The petroleum profit tax is therefore, a financial levy charged, assessed and payable upon the profits of each accounting period of any company engaged in petroleum operations during any such accounting period, usually one year (Kaoje et al., 2020). Also, petroleum tax involves the charging of tax on the incomes accruing from petroleum operations (Horbett et al., 2018). According to Williams et al. (2018), the petroleum tax is a type of pre-paid annual tax return that are prepared and submitted to the designated authority.

Concept of Company Income Tax (CIT)

Company Income Tax (CIT) is a direct tax levied on the profits of companies, which is derivable from the taxable profits of companies that are incorporated under the Companies and Allied Matters Act, 1990 as amended till date or any other law that may replace it dealing with the incorporation of companies (Emmanuel & Stephen, 2021). In line with section 8(1) of the Companies Income Tax Act (CITA), CIT are payable upon profits of any company accruing in, derived from, brought into, or received in Nigeria in respect of any trade or business that may have been carried out (Emmanuel & Stephen, 2021). Currently, the rate of CIT is 30% of assessable profit. The Company Income Tax is regulated by the Company Income Tax Act and managed by Federal Inland Revenue Service. The law deals with the assessment and collection of taxes from all companies operating as limited liability companies with the exception of those operating in the petroleum sub sector (Ewa et al., 2020).

Concept of Custom and Excise Duties (CED)

Customs duties are imposed by the Customs and Excise Act 91 of 1964 are levied on imported goods with the aim to raise revenue and protect the local market, which is usually calculated as a percentage of the value of the goods (set in the schedules to the Customs and Excise Act) (Ezejiofor et al., 2021). However, meat, fish, tea, certain textile products and certain firearms attract rates of duty calculated either as a percentage of the value or as cents per unit (for example, per kilogram or metre) (Efuntade, 2020). Also, customs duties in Nigeria are the oldest form of modern taxation, which is dated back to 1860 known as import duties, which represents taxes on imports into Nigeria (Ezajiofor et al., 2021). In addition, custom and exercise duties is the responsibility of Nigeria custom service to collect duties, excise, fees, tariffs, and other levies imposed by the Federal Government on imports, exports and statutory rates (Yahaya & Bakare, 2018).

Review of Empirical Studies

Numbers of empirical studies were conducted in the area of tax reforms, tax revenues and other related tax system locally and globally, using different types of tax system. Notable among them are Nwala & Gimba (2019) examined the effect of tax reform on revenue generation in Nigeria for a period of thirty-one years (1986 to 2017). Data were obtained from the CBN statistical bulletin and National Bureau of statistics annual reports for the purpose of analysis. The study adopts descriptive statistics, Augmented Dickey fuller unit root test, The finding of the study revealed that VAT and PPT have a positive and significant relationship with revenue generation in Nigeria, while CIT revealed a significant but negative association with revenue generation. Similarly, Odezo and Onuora (2021) investigated the effect of tax reforms on revenue performance in Nigeria using time series data from 1991 to 2018. Using ex-post facto research design, data was collected from the National Bureau of Statistics, CBN statistical Bulleting and FIRS. Analysis was done using descriptive statistics, Augmented Dickey Fuller, cointegration test and multiple regression model analysis operated with E-view 8. The result showed that VAT, PIT and PPT have significant positive effect on revenue performance. While CIT reform has insignificant effect on revenue performance in Nigeria.

In the same vein, Bankole (2021) examines the impact of value added tax on economic growth in Nigeria from 1999 to 2019. The Auto-Regressive Distributed Lag (ARDL) model was employed using time series data. The result of the analysis in the short run, shows that VAT has a negative and significant effect on economic growth whereas in the long run, the effect was positive but insignificant on economic growth. Inflation also has a significantly positive effect, whereas interest rate has a significantly negative effect on economic growth in the long run. Contrarily, Herbett et al. (2018) examined the effect of tax reforms on economic stability of Nigeria over a 16-year period, 2000-2015. The study used a transformed econometric linear model to assess how and to what extent tax reforms support economic stability. The study identified a positive and statistically significant relationship between CIT and PPT with economic development proxied by GDP. However, while VAT reforms have positive relationship with economic stability, the effect is negligible, which means an insignificant positive nexus with GDP.

On negative association, Gbeke and Nkak (2021) examined the intertwining relationship between tax revenue and economic growth in Nigeria, using time series data from 1995 – 2019. The study employed VAT, PPT, CIT and CED as on economic growth. The Autoregressive Distributed Lag technique was used to access the long and short-run properties of the variables, while Augmented Dickey Fuller and Phillip

Perron (PP) tests revealed that all series were found to be integrated of order one, I(1) apart from CIR and PPT which were levels stationary, I(0). Furthermore, the study concludes that CIT and CED have a positive impact on economic growth, while VAT and PPT have a negative effect on the economy.

On the relationship between petroleum profit tax and revenue generation, Yahaya and Bakare (2018) investigate the effect of PPT and CIT on Nigerian. Fully Modified Least Square (FMOLS) Regression Technique was used to estimate the model over a 34 years period (1981-2014) while Augmented Dickey Fuller Unit Root Test and Single Equation Co-integration Test were carried out. It was found that PPT and CIT have positive significant impact on GDP in Nigeria with the Adjusted R-square of 0.876 which directly enhanced development in Nigeria. The study then concluded that PPT and CIT serves as the major source of revenue to the Nigeria economy, and contribute to the growth of Nigeria economy.

Similarly, Etim et al. (2020) investigated the long run relationship existing between PPT and CIT with economic development in Nigeria in the period of 1980 to 2018. The secondary data was collected for 39 years period. The analysis were conducted using ADF unit root-test. The results of the analysis reveal a positively significant association between PPT and CIT with economic growth of Nigeria. In the same vein, Lanem et al. (2020) examined the effect of taxation on revenue generation in Nigeria. Through ex-post facto research design, the study collects secondary data from the FIRS and National Bureau of Statistic. The Engel-Granger approach to cointegration was used for analysis. The findings revealed a positive and statistically significant positive relationship between PPT, PIT, CIT with revenue generation in Nigeria.

In addition, Lawal (2021) investigated taxation role on revenue generation in Nigeria. Secondary data was used and sourced from FIRS and CBN Statistical Bulletin between 2011Q1 and 2020Q4. The study employed descriptive analysis, Regression analysis, and VAR as the estimation techniques. The findings showed that VAT and PPT contributes positively and significantly on revenue generation, CIT was insignificant while CGT was negative. It was concluded that CIT contributes more to revenue generation. Equally, Tyokoso et al. (2021) examined the effect of revenue post Tax Identification Number (TIN) on tax revenue (VAT, CIT, CED and PPT) generation in Nigeria. Secondary data obtained from CBN statistical bulletin from 1998 to 2017 were analyzed by the use of paired sample t-test. Findings reveal a significant positive difference in the means of VAT, CIT, CED and PPT after the introduction of TIN. Following the empirical evidence, the study conclude that VAT, CIT, CED and PPT improve the revenue generation after the introduction of TIN, which means a significant positive association.

Contrarily, Gbeke and Nkak (2021) examined the intertwining relationship between tax revenue and economic growth in Nigeria, using time series data from 1995 – 2019. The study employed VAT, PPT, CIT and CED as on economic growth. The Autoregressive Distributed Lag technique was used to access the long and short-run properties of the variables, while Augmented Dickey Fuller and Phillip Perron (PP) tests revealed that all series were found to be integrated of order one, I(1) apart from CIR and PPT which were levels stationary, I(0). Furthermore, the study concludes that CIT and CED have a positive impact on economic growth, while VAT and PPT have a negative effect on the economy. Herbett et al. (2018) examined the effect of tax reforms on economic stability of Nigeria over a 16-year period, 2000-2015. The study used a transformed econometric linear model to assess how and to what extent tax reforms support economic stability. The study identified a positive and statistically significant relationship between CIT and PPT with economic development proxied by GDP. However, while VAT reforms have positive relationship with economic stability, the effect is negligible, which means an insignificant positive nexus with GDP.

In the same vein, Adegbite and Fasina (2019) examined the effects of taxation on revenue generation in Nigeria using Johansen co-integration and the Granger causality tests using secondary data spanning the period 1970 to 2017. Results showed that PPT has positive significant effect on revenue. VAT, CORPT and CUSEXC also had positive significant effect on revenue. However, CUSEXC has the lowest significant effect on revenue both in the short run and in the long run. Similarly, Abo-Ahmad (2021) investigates the impact of corporate and income taxes on economic development in Egypt for the period of 1980 to 2018 using Autoregressive distributed lag model. Findings revealed a positively and significantly relationship between direct tax (CIT) and economic development in Egypt, and negative relationship between direct tax (CIT) and economic development. As observed, this study was conducted in Egypt, therefore the current study is reflected in Nigerian context as a contribution.

On the relationship between custom and excise duties with revenue generation, Owolabi et al. (2019) explores the effect of different tax revenues in Nigeria's economy with data from 1994 to 2015. PPT, VAT, CED, and CIT measured the tax revenue on Nigeria's economy using OLS regression analysis. The finding revealed that, while PPT had a negative and statistically significant effect on economy, VAT and CED had a positive and statistically significant effect on Nigerian economy. To the contrary, CIT was insignificant for economic growth of Nigeria. Further, in the presence of improved government effectiveness VAT had a negative and statistically

significant effect on economic growth in Nigeria, while PPT was positive but insignificant for economic growth in Nigeria.

Similarly, Lanem et al. (2020) examined the effect of taxation on revenue generation in Nigeria. Through ex-post facto research design, the study collects secondary data from the FIRS and National Bureau of Statistic. The Engel-Granger approach to cointegration was used for analysis. The findings revealed a positive and statistically significant positive relationship between PPT, PIT, CIT with revenue generation in Nigeria. This implies that increases in the various sources of tax lead to increase in revenue generation in Nigeria. Tyokoso et al. (2021) examined the effect of revenue post Tax Identification Number (TIN) on tax revenue (VAT, CIT, CED and PPT) generation in Nigeria. Secondary data obtained from CBN statistical bulletin from 1998 to 2017 were analyzed by the use of paired sample t-test. Findings reveal a significant positive difference in the means of VAT, CIT, CED and PPT after the introduction of TIN. Following the empirical evidence, the study conclude that VAT, CIT, CED and PPT improve the revenue generation after the introduction of TIN, which means a significant positive association.

METHODOLOGY

This study focused on ascertaining the impact of tax reforms on productivity of Nigeria. This study employed Ex-post facto research design. The adoption of this research design is based on the fact that the study relied on historic data obtained from the relevant publications and as such the data are already in existence

Data used for this study was basically collected from secondary sources. Specifically, from the CBN statistical bulletins and FIRS annual reports for the period of ten years (2013-2022). In this study, data on gross domestic product, federally collected revenue, value added tax, petroleum profit tax, company income tax and custom and excise duties are sourced from the aforementioned sources to examine the impact of tax reforms on economic development in Nigeria.

Model Specification

Representing the equations with the variables of the construct, hence the models below were formulated based on the stated hypotheses:

$$GDP = a0 + a_1RVAT_t + a_2RPPT_t + a_3RCIT_t + a_4RCET_t + \mu$$

Where

LGDP = Gross Domestic Product at a given time.

LRVAT = Log of Reform in Value Added Tax (VAT)
LRPPT = Log of Reform in Petroleum Profit Tax (PPT)
LRCIT = Log of Reform in Company Income Tax (CIT)
LRCED = Log of Reform in Custom and Excise Duties (CED)
a0, a1,-a4, = Parameters
μ - Error term

Method of Data Analysis

Correlation matrix shows the relationship between all pairs of variables in the regression model; the relationship between all explanatory variables individually with explained variable and the relationship between all the independent variables themselves (Kothari, 2014). Correlation analysis is basically performed to determine the strength and direction of relationship between observed variables (Pallant, 2013).

Table 1: Correlation Matrix

	GDP	VAT	PPT	CIT	CED
GDP	1				
VAT	-0.0594	1			
PPT	0.241	0.0964	1		
CIT	0.5471	0.1962	0.2283	1	
CED	0.192	-0.291	0.0829	0.4161	1

Source: Output of data analysis by author 2023

Furthermore, another evaluation of the correlation index reveals that there exists an association between all the variables in the distribution. This suggests that there is relationship between all the independent and the dependent variables as we as among themselves because there is no correlation value of 0.0000 and none of the correlation index has +/-1. Hence, there is no existence of a perfect relationship among the variables. Accordingly, the strength of the relationship between the variables could be said to be between the region of small and medium. Because all the correlation indices ranges from 0.03 to 0.54.

Table 2: Heteroskedasticity Test

Breusch-Pagan / Cook-Weisberg test for heteroscedasticity
Ho: Constant variance Variables: fitted values of GDP chi2 (1) = 101.86 Prob > chi2 = 0.0000

Source: Output of data analysis by author 2023

Since the result of the heteroscedasticity test reveals the presence of heteroscedasticity in the Breusch-Pagan / Cook-Weisberg test for heteroscedasticity model because the probability of the chi square is 0.0000, OLS robust test was conducted to address the issue of heteroscedasticity in the study. In the homoskedastic model, it is assumed that the variance of the error term is constant for all values of independent variable, while in the heteroscedastacity model it is assume that the variance of the error term is not constant for all the values of the independent variables, which is the case for the current study. The issue of heteroscedasticity was later corrected through the OLS robust test. Robust estimation should be considered when there is a strong suspicion of heteroskedasticity or where it exists (Hair et al., 2010).

Results and Discussion of Tax Reforms Determinants and Economic Development

This section tests the first condition of the mediation of ensuring the relationship between the independent variables and the dependent variable. It also answers the first, second, third and forth research questions of the study as well as the objectives one and two of the thesis, which were to determine the relationships between VAT, PPT, CIT and CED with economic development in Nigeria. The section also tests the hypotheses, one to four of the study, (H1-H4) to examine the first condition of the mediation effect. The findings revealed that H2 and H3 for PIT and CIT were perfectly supported with significant positive relationships, H1 for VAT was negatively related while H4 for CED was rejected as a result of insignificant relationship. Discussion of the results were discussed after the table where the indicators, such as the coefficient (β), robust standard error, t-values, and p-values were generated from the STATA output and presented for interpretation. The extended output of the result was presented in the Appendix section of the study.

In addition, the coefficient of determination result as presented in Table 4.7 shows the R square value of 0.384, which means that 38.4% changes in economic development in Nigeria can be explained by VAT, PPT, CIT and CED, which means there are other factors to determine the economic development other than the aforementioned variables to the tune of 61.6%. The value further reduced to 37.6% when the adjusted R square value of 0.376 is considered, leaving the rest to other factors not covered in the model.

Table 3: Relationship between the Tax Reforms and Economic Development

Variables	Coef.	Std. Error	T-Value	P Value
CONS	168.4383	68.14419	1.89	0.006
VAT	-1.99173	.7086743	-1.91	0.035
PPT	2.36425	4.557893	2.72	0.009
CIT	1.4144	1.43363	1.98	0.032
CED	0.10744	3.68524	.85	0.215
R-Square				**0.384**
Adjusted R^2				**0.376**
F-Value				**0.000**

Notes: VAT = Value Added Tax, PPT= Petroleum Profit Tax, CIT= Companies Income Tax, CED= Custom and Exercise Duties. The regression result was at 95% confidence level.

Accordingly, Table 4.7 presents the regression results of the first model on the relationships between the tax reforms determinants and economic development in Nigeria. From the regression results, it was found that VAT had a negative and significant relationship with economic development. This was observed from the regression coefficient of 1.99173, t-value of 1.91 and p value of 0.035, which were significant at 5%. This implies that, the higher the tax revenue from VAT in Nigeria, the worse the economic development in the country and vice versa. The results support hypothesis one (H1) of the current study that presumed that, there is significant relationship between VAT and economic development in Nigeria. However, the result was against the apriori expectation of the study by having negative relation. The finding is consistent with Socio-Political Theory, which advocates that the policies in relation to tax should focus on economical and social problems, which are more ills to the society rather than individuals. Therefore, VAT policies become harmful to the society by worsening the country's GDP. Furthermore, the result is corroborates with the findings of previous studies which established that VAT policies significantly reduce a country's economic development. For instance, Gbeke and Nkak (2021) used Autoregressive Distributed Lag technique to examine the tax revenue on economic growth of Nigeria. The study found among others that VAT has significant negative association with the economic growth. However, the result was against the findings of Nwala and Gimba (2019); Odezo and Onuora (2021); Bankole (2021) that found VAT to have significant positive relationship with economic development. The possible reason for this result may be because the economic development in this study was measured by GDP, which was mostly contributed by SMEs in Nigeria. Whereas, the instability or rising VAT rates is negatively affecting the SMEs performance who are mostly contributors of GDP by rising inflation in the country.

Another tax reform attribute employed in this study was the petroleum profit tax (PPT). Table 4.7 shows that the PPT was positive and significantly related to economic development in Nigeria. This was inferred from the coefficient of 2.36425, t-value of 2.72 and p value of 0.009 significant at 1% confidence level. This means that the higher revenue generated through petroleum profit tax, the more developed is the Nigerian economy. This supports the second hypothesis (H2) which presumed that the PPT would have a significant relationship with economic development in Nigeria. The result corroborate with the findings of prior studies which established that petroleum

profit tax as the antecedent of tax reform improve economic development (for instance Yahaya & Bakare, 2018; Etim et al., 2020; Lanem et al., 2020; Lawal, 2021 among others). The result does not support the findings of Gbeke and Nkak (2019), which revealed a significant negative association between petroleum tax and economic development. This result is not surprising considering that petroleum is the major source of Nigerian income as it accounts for more than 80% of the nation's income. Therefore, it is obvious that petroleum profit tax could be a major driver of the economic development in the country hence PPT's improvement leads to better development.

Furthermore, the direct regression result shows the relationship between the company income tax as the third determinant of tax reform and the economic development. From the regression results, it was found that company income tax had a positive and significant relationship with economic development. This was observed from the regression coefficient of 1.4414, t-value of 1.98 and p value of 0.032, which were significant at 5%. This implies that, the higher the tax revenue from company income taxes in Nigeria, the better the economic development in the country and vice versa. The results supported hypothesis three (H3) of the current study that presumed that, there is significant relationship between company income tax and economic development in Nigeria. The finding is agrees with the proposition of Wagner in Socio-Political Theory that economic problem should be addressed from the point of social and political without considering the individual consequences. Hence, increased CIT revenue that could increase the commodities prices is against individualist view but for the benefit of the nation as it increased economic development. Furthermore, the result is substantiates the findings of previous studies which established that CIT significantly improve a country's economic development. For instance, Herbett et al. (2018); Adegbite and Fasina (2019); Abo-Ahmad (2021) that examine different tax policies on economic development. The studies confirmed a significant positive relationship between company income taxes and economic development in different context. However, the result was against the findings of Nwala and Gimba (2019); Odezo and Onuora (2021); Lawal (2021) that found CIT to have negative or insignificant relationships with economic development. This result could be because the taxes collected from Nigerian companies are directly related to the country's business atmosphere, which makes the betterment of this revenues and policies improve the economy.

Lastly, the forth tax reform determinant employed in this study was the custom and exercise duties (CED). The result in Table 4.7 shows that the CED was insignificantly related to economic development in Nigeria. This was inferred from the coefficient of

0.10744, t-value of 0.85 and p value of 0.215. This means that irrespective of higher revenue generated through custom and exercise duties, the Nigerian economic development is not affected. This goes against the second hypothesis (H2) which presumed that the CED would have a significant relationship with economic development in Nigeria. The result is in line with the findings of prior studies such as Adewale and Mutiu (2019), which established that custom and exercise duties as the antecedent of federally collected tax revenues. The result does not corroborate the findings of Tyokoso et al. (2021) and Lanem et al. (2020) that revealed a significant positive association of custom and exercise duties in the economy. The insignificant association between custom and exercise duties could be because the income generated through custom and exercise duties is not enough to reflect any significant influence in the country's GDP considering that there are other sources of revenue that produce higher income in the country. In view of the foregoing, the first condition of the mediation was completed considering as there is significant relationship between some of the independent variables and the dependent variable of the study.

Conclusion base on objectives

To conclude this research, summarizing what this study intended to achieve is important. This study was motivated by the situation of Nigeria's tax to GDP ratio that stands at 8% in 2022, which is insignificant in comparison to the OECD average of 34% and the African average of 17%. Accordingly, NBS reported that the total revenue generated from VAT in 2018 stood at ₦1.108 trillion. This has led Nigerian government to modify among others the VAT rate from 5% to 7.5% meaning and increase of 50%, which was expected to generate additional ₦550 billion annually to the government. In view of that, it is imperative to find out whether the changes in different tax policies provide the expected improvement in economic development of Nigeria. Hence, this study was conducted with the aim of discovering the influence of tax policy reforms on economic development with a mediation of revenue generation in Nigeria. Several scientific approaches was employed to achieve the study's objective and arrived at different results. In view of these results, it was concluded that:

The study finds that increased VAT revenue in Nigeria leads to higher costs for consumers, reducing their purchasing power and potentially lowering consumer spending, which negatively impacts economic development. Additionally, small businesses face greater administrative burdens, affecting their contributions to GDP. The higher VAT rates also diminish Nigeria's international competitiveness compared to neighboring countries, resulting in decreased exports. This combination hampers

economic growth and job creation. Overall, the VAT increase has detrimental effects on both consumers and businesses in Nigeria.

Petroleum profit revenue in Nigeria funds essential sectors like infrastructure, education, and health, stimulating economic activity and improving citizens' quality of life. This revenue supports capital projects, such as roads and power generation, which attract investment and promote trade. Effective management and allocation of these funds are crucial for maximizing their positive impact on economic development. Overall, the study highlights the importance of petroleum tax revenue in driving long-term economic growth.

Corporate Income Tax (CIT) in Nigeria funds social welfare programs like unemployment benefits, healthcare, and education, improving social conditions and human capital while reducing poverty. It encourages corporate responsibility by incentivizing businesses to adopt sustainable practices. Additionally, CIT diversifies government revenue sources, enhancing fiscal stability and reducing dependence on volatile incomes. A stable tax system supports consistent public investment and long-term economic development.

The study finds that Custom and Excise Duty (CED) in Nigeria is regressive, disproportionately burdening low-income individuals and exacerbating income inequality, which hinders economic development. This tax distorts price signals and consumption patterns, leading to inefficiencies and resource misallocation as businesses adjust to minimize its impact. Additionally, high CED on materials increases production costs, reducing the competitiveness of exports and limiting growth in international trade. Overall, reliance on CED undermines economic progress.

RECOMMENDATIONS:

1. The study recommends that government should consider a regular assessment on the economic impact of VAT on different sectors and segments of the society. Based on these assessments, government can make informed decisions and implement appropriate measures and reforms to mitigate any negative effect of VAT reform on economic development
2. The study suggests that the federal government should implement policies and incentives to boost value addition in the petroleum sector through refining and processing activities. This would lead to the growth of downstream industries, create jobs, increase revenue generation and unlock the potential of the petroleum sector to drive economic growth.

3. The Nigerian government should ensure companies' tax rates remain competitive to attract investments and boost economic growth. This requires striking a balance between generating tax revenue and creating a favorable business environment that encourages investment and job creation.
4. The Nigerian government is being urged to rethink its tariff structure to boost economic development by evaluating the existing custom tariffs to identify areas where duties have minimal economic impact .This means reducing or eliminating tariffs on non-essential goods that don't contribute significantly to the economy.

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