EFFECT OF TAXATION ON ECONOMIC GROWTH IN NIGERIA: A TIME SERIES ANALYSIS BETWEEN 1981-2019

Amughoro Onome Austin
Department of Accountancy, Cecelia Ibru University, Agbarho-Otor, Delta State, Nigeria.

Abstract
The study assessed the effect of taxation on economic growth in Nigeria during the period of 1981-2019. To do this, secondary data of taxation measures (personal income tax, company income tax, and value added tax) and economic growth measure (gross domestic product) were obtained from the Central Bank of Nigeria statistical bulletin, National Bureau of Statistics and World Bank Indicators. Data obtained were analyzed via descriptive (Mean, Standard Deviation, Minimum and Maximum Values, Skewness, Kurtosis, and Correlation) and inferential(Unit Root and Co-integration, Augmented Dickey Fuller, Bound Test for Co-integration, Ganger Causality Wald, and Vector Auto Regression Tests) statistical tools. The Vector Auto Regression results indicated that while all taxation variables significantly affect economic growth; however, the relationship was negative. The negativity attributable to taxation in the country could be that the tax collection mechanisms and administrative structure put in place are weak. In view of the findings, it was recommended among others that there is the need for the government to ensure that all companies and individuals are captured in the tax net and fully comply with the payment of tax. As a matter of fact, there is the need to enforce penalty for companies and individuals that evade tax and strengthen the tax collection mechanisms in the country.
Keywords: Gross domestic product; Personal income tax; Company income tax; Value added tax

Introduction

For Nigerian government to effectively carry out its primary function and other subsidiary functions, she requires adequate funding. Government responsibilities has continued to increase over time especially in developing countries like Nigeria due to the increasing size of the population, and infrastructural decay. But quite unfortunately the revenue of the government has not been growing above her expenditure to enable capital formation possible. Taxation is seen as an essential part of a country's investment and growth pattern (Appah, 2004).

Tax is a compulsory levy imposed on a subject or upon his property by the government to provide security, social amenities and create condition for the economic wellbeing of the society (Okafor, 2012). The funds provided by tax are used by the states to support certain obligations such as education systems, health care systems, and pensions for the elderly, unemployment benefits, and public transportation. Tax is a major player in every society of the world (Azubike, 2009). The tax system is an avenue for government to use in collecting additional revenue needed in discharging its pressing obligations.

A tax system is one of the most effective means of mobilizing a nation's internal resources and it lends itself to creating an enabling environment to promote economic growth. Towing this line of argument, Nzotta (2007), also argued that taxes constitute key sources of revenue to the federation account shared by the federal, state and local governments. Hence, a tax policy represents key resource allocator between the public and private sectors in a country. Anyanfo (1996) and Anyanwu (1997) stated that taxes are imposed to regulate the production of certain goods and services, protection of infant industries, control business and curb inflation, reduce income inequalities etc.

Similarly, Tosun and Abizadeh (2005) submitted that taxes are used as proxy for fiscal policy (negatively or positively). They outlined five possible mechanisms by which taxes can affect economic growth. First, taxes can inhibit investment rate through such taxes as corporate and personal income, capital gain taxes. Second, taxes can slow down growth in labour supply by disposing labour leisure choice in favour of leisure. Third, tax policy can affect productivity growth through its discouraging effect on research and development expenditures. Fourth, taxes can lead to a flow of resources to other sectors that may have lower productivity. Lastly, high taxes on labour supply can distort the efficient use of human capital high tax burdens even though they have high social productivity (Jhingan, 2005).

Abomaye-Nimenibo (2017) is of the view that tax is a compulsory contributions made by animate and inanimate beings to government being a higher authority either directly or indirectly to fund its various activities and any refusal is meted with appropriate punishment. Taxation is therefore seen as the transfer of resources as income from the private sector to the public sector for its utilization to achieve some if not all the nation's economic and social goals such as provision of basic amenities, social services, educational facilities, public health, transportation, capital formation etc.

In essence, taxation is a core pillar of a country's regulatory framework for investment and growth. Hence, this study looks at econometric consequences of taxes for both GDP per capita levels and their transitional growth rates, with a large part of the empirical analysis devoted to assessing the effects of different forms of personal income tax(PIT), company income tax (CIT) and value added tax (VAT) on productivity and growth of the Nigerian economy. Therefore, the aim of this research work is to evaluate empirically the impact of taxation on economic growth in Nigeria from 1981 to 2019.

Literature Review

Overview of Taxation

Taxation is the most important component of the financial structure of any country. Taxes are imposed upon individuals and business entities that are paid to the

government or the state. Taxes are considered to be contributions made by the individuals and business entities for the economic growth and development. In simple words, it is the source of revenue for the government to manage public expenditure. According to Success, Success and Ifurueze (2012), taxation is a required payment imposed by the government on the income, profit or wealth of individuals, group of persons, and corporate organizations.

Anyanwu (1997) stated that, tax is more or less compulsory, non-returnable contribution of money used occasionally for goods and services and flows from private individuals, institutions or groups to the government. It may be levied upon wealth or income of a person or body corporate or in form of surcharge on prices. Okafor (2012) asserts that tax is a compulsory contribution imposed by the government on citizens in accordance with legislative provisions and paid by them through agents to defray the cost of administration. Success, *et al* (2012), justified tax as a compulsory contribution imposed upon persons for the general purpose of the government. Once levied, every taxable person must pay tax. He also added that taxes are benefits, but for providing the government with funds necessary for the general administration of the country.

Taxation in summary is the transfer of income or resources from the private sector to the public sector in order to enable the public sector to carry out some, if not all of the Nation's economic and social goals. The goals may be in the form of provision of Government basic services regularly and particularly in the educational, public health, transportation sectors, amenities and capital formation. Taxes may be levied upon wealth or income or in the form of surcharge on prices. In this study, three components of taxation were assessed – company income tax, value added tax and personal income tax.

First, company income tax is a tax under the Companies Income Tax Act that a resident or non-resident company incorporated in Nigeria has to pay. The Companies Income Tax Act 1961 was replaced by Companies Income Tax Decree 28 of 1979. Several other amendments has since been enacted as either acts or decrees such as: Companies Income Tax Act (CITA) 1990 which itself was amended by Decree 3 of 1993, Decree 30 of 1996, Decree 31 of 1996, and Decree 32 of 1996 etc.

Companies Income Tax Act, 1990 is the enabling law that governs the collection of taxes on profits made by companies operating in Nigeria, excluding companies engaged in Petroleum exploration activities. This Tax is payable for each year of assessment of the profits of any company at a rate of 30% (Adereti, Sanni & Adesina, 2011). Festus and Samuel, (2007) in their study of company income tax and the Nigerian economy, concluded that Company income tax is a major source of revenue in Nigeria but non-compliance with tax laws and regulations by tax payers is deep in the system because of weak control. There is therefore, the need for a general tax reform in the Nigerian company income tax system.

Second, personal income tax is the tax levied on the income of an individual after all allowances have been deducted from the gross emolument and is deducted at source. Third, value added tax (VAT) is called consumption tax and is being defined as the amount charged by the government for every goods or services purchased from time to time. This means it can only be paid when there is consumption of goods or services. VAT is an indirect tax, which is imposed on goods and services at each stage of production, starting from raw materials to final product. VAT is levied on the value additions at different stages of production.

Economic Growth

Economic growth is the increase in the value of goods and services produced by a country over a period and real gross domestic product (RGDP) is used as a proxy for economic growth. RGDP is an inflation-adjusted measure which reflects the value of all goods and services produced by an economy in a given year, usually expressed in base-year prices, and is often graded as constant-price. For economic growth to occur, there must be sufficient availability of factors of production of the right quality and sufficient demand in the market.

First, there must be sufficient labour skill in the techniques and technologies of production .The producer must therefore be skilled and educated, or at least in a position where they are capable of being trained and willing to learn new skills. Second, there must be sufficient capital. The purchase of new capital equipment requires finance which must be available from retained profits of firms or well organized capital market (or in the case government investment from taxation. Third, land must be available and must be a suitable infrastructure (roads, railways communication networks etc.) to support commercial activity. Fourth, the government policy should be to achieve economic growth because if there is an alternative economic objective (e.g. restoring a balance of payment equilibrium) government policy might suppress growth.

Fifth, international trade should be encouraged as a means of growth; this is because international trade opens up new markets for exporters and same for importers. Lastly, technical progress is very important source of faster economic growth. Technical progress means that the same amounts of the factor of production can produce higher output. The industrial production the western world has was a period of concentrated technological developments leading to an understanding in the rate leading to an outstanding increase in the rate of their growth.

Theoretical Framework

The theoretical framework of this paper is anchored on the expediency theory of taxation. The theory proposed that every tax proposal must pass the test of practicality. It must be the only consideration weighted by authorities in choosing a tax proposal. Economic and social objectives of the state and the effects of a tax system should be treated as irrelevant (Bhartia, 2009).

Bhartia (2009) explained that the expediency theory is based on a link between tax liability and state activities. It assumes that the state should charge the members of the society for the services provided by it. This reasoning justifies imposition of taxes for financing state activities by inferences, which provides a basis, for apportioning the tax burden between members of the society. This proposition has a reality embedded in it, since it is useless to have a tax which cannot be levied and collected efficiently

Empirical Studies

Umoru and Anyiwe (2013) investigated the correlation between the New National Tax Policy and economic growth in Nigeria, using co-integration technique and error correction model to analyze data. They stated that taxes can be structured into direct and indirect. Examples of direct taxes include petroleum profit tax, companies' income tax, education tax and personal income tax. While indirect taxes include custom and excise duties, and value-added tax. The results of their analysis revealed that direct taxation revenue had significant positive relationship with economic growth, while indirect tax revenue had insignificant but negative impact on economic growth in Nigeria. They concluded that Nigeria's tax policy towards indirect taxation lack justification, rather the country should strengthen the structures of direct taxation.

Macek (2014) investigated the impact of taxation revenue on economic growth in OECD countries, using time series secondary data for the period 2000 – 2011. A mathematical multiple regression model was adopted to capture the linearity correlation between the variables of the study. Tax variables by OECD classification include personal income tax, corporate income tax, social security contribution, property tax, value-added tax and tax on consumption. The World Tax Index classification is only short by social security contribution. While economic growth variables captured in the model include gross domestic product, capital accumulation, human capital and government spending.

Michael and Ben (2016) explored the causes and consequences of the spread of value added tax (VAT). A panel study of 143 countries for 25 years were observed. The result showed that VAT has a significant but mixed impact on economic growth and total tax revenue. This implies that while some countries would have gained revenue from the adoption of VAT, others would not.

Cornelius, Ogar, and Oka, (2016) examined the impact of taxation on the Nigerian economy. Their finding revealed a significant relationship between personal income tax and the growth of the Nigeria economy while no significant relationship was found between company income tax and the growth of the Nigeria economy. They concluded and recommended that government should endeavor to provide social amenities to all nooks and crannies of the country; engage in a complete reorganization of the tax

administrative machineries; in order to reduce tolerable problems of tax evasion and avoidance.

Methodology

This study refers to the approaches, framework or the overall strategy of conducting research studies. Nachmias and Nachmias (2009) opined that research design is the blue print that enables the investigators to come up with solutions to the problems and guide the researcher in the various stages of the research. In carrying out this study, the researcher adopted the ex-post - facto research design. The design was adopted because it seeks to established the factors that associate with certain occurrence or type of behavior by analyzing past events of already existing condition. Here the researcher has no control over certain factors or variances as the events already exist can neither be manipulated or change.

This study employed secondary data relating to the dependent and independent variables which was obtained from Central Bank of Nigeria (CBN) Statistical Bulletin and National Bureau of Statistics (NBS) during the period of 1981-2019. (i.e. a period of 39years). The method of data Analysis was econometric method of Ordinary Least Square (OLS), Co-Integration and Granger Causality test. The dependent variable is economic growth measured by gross domestic product (GDP) while the independent variable is taxation, measured via personal income tax (PIT), company income tax (CIT) and value asset tax (VAT). The model of the study is given as:

$$GDP = f(PIT, CIT, VAT) \quad eq.1$$

Equation 1 above can be rewritten as follows:

$$GDP = f(PIT) \quad eq.2$$

$$GDP = f(CIT) \quad eq.3$$

$$GDP = f(VAT) \quad Eq.4$$

Equation 2-4 can be rewritten in their explicit forms as shown in equation 5-7

$$gdp = \alpha_0 + \beta_1 pit_t + u_t \quad eq\ 5$$

$$gdp = \alpha_0 + \beta_1 cit_t + u_t \quad eq\ 6$$

$$gdp = \alpha_0 + \beta_1 vat_t + u_t \quad eq\ 7$$

Given that gross domestic product (GDP) is expressed in billions of Naira while the other variables (PIT, CIT and VAT) were expressed in millions of Naira, GDP was scaled to natural logarithm while variables of PIT, CIT and VAT were scaled by GDP in order to avoid scaling problems as shown in equations 8-10:

$$lgdp = \alpha_0 + \beta_1 pit/gdp_t + u_t \quad eq\ 8$$

$$lgdp = \alpha_0 + \beta_1 cit/gdp_t + u_t \quad eq\ 9$$

$$lgdp = \alpha_0 + \beta_1 vat/gdp_t + u_t \quad eq\ 10$$

In this study we adopted the co-integration estimation technique in analyzing our data. Co integration is an econometric technique used for testing the correlation between non-stationary time series data. Usually, time series data are non-stationary due to fluctuations that do characterize such information.

Result And Discussion

Table 1: Descriptive Statistics of Independent and Dependent Variables

Variable	Obs	Mean	Std. Dev.	Min	Max
lgdp	39	3.661544	1.056718	1.9746	5.159
citgdp	39	.0242154	.0505964	0	.2262
pitgdp	39	.0222205	.0447723	0	.2036
vatgdp	39	.0034564	.0028518	0	.0092

Source: Computed by Researcher via STATA 13.0

Presented in Table 1 are the descriptive results of independent variables scaled by gross domestic product (company income tax – cit/gdp, personal income tax – pit/gdp and value added tax – vat/gdp) and dependent variable (gross domestic product – gdp) during the period 1981-2019. The results revealed that economic growth (GDP) recorded a mean of 3.66 while taxation measures of company income tax (CIT), personal income tax (PIT) and value added tax (VAT) recorded means of 0.024, 0.022 and 0.0035 respectively.

The standard deviation for GDP, CIT, PIT and VAT are 1.0567, 0.0506, 0.0448 and 0.0029 respectively. In addition, the mean and low standard deviation values for all the variables are clear indications that the variables are not constant over time and describes that overall, the data for GDP, CIT, PIT and VAT deviate from both sides by 1.06%, 0.51%, 0.45% and 0.029% respectively and the variations are not too dispersed from each other.

Table 2: Tests for Normality of Data

Mardia mSkewness =	20.5268	chi2(20) =	148.132	Prob>chi2 =	0.0000
Mardia mKurtosis =	33.96033	chi2(1) =	20.152	Prob>chi2 =	0.0000
Henze-Zirkler =	3.543339	chi2(1) =	120.990	Prob>chi2 =	0.0000
Doornik-Hansen		chi2(8) =	112.102	Prob>chi2 =	0.0000

Source: Computed by Researcher via STATA 13.0

The skewness and kurtosis (Mardiam), Henze-Zirkler and Doornik-Hansen tests of normality of the dependent and independent variables are presented in Table 2. The kurtosis, skewness, Henze-Zirkler and Doornik-Hansen implied that there is the presence of fatter tail than the normal distribution. According to Gujarati (2003), a variable is said to be normally distributed on the basis of the kurtosis. From the above,

it showed that the variables satisfy the normality condition that the variables of the study are normally distributed.

Table 3: Correlation Matrix

	lgdp	citgdp	pitgdp	vatgdp
lgdp	1.0000			
citgdp	-0.4212	1.0000		
pitgdp	-0.4947	0.2082	1.0000	
vatgdp	0.7599	-0.4381	-0.5027	1.0000

Source: Computed by Researcher via STATA 13.0

The correlation results revealed that the value added tax (VAT) is positively related with gross domestic product (GDP) while company income tax (CIT) and personal income tax (PIT) are negatively related with gross domestic product (GDP). This implies that VAT positively affects economic growth while variables of company income tax and personal income tax negatively affect economic growth in Nigeria.

Table 4a: ADF Unit Root Results for GDP

Augmented Dickey-Fuller test for unit root — Number of obs = 37

	Test Statistic	Interpolated Dickey-Fuller: 1% Critical Value	5% Critical Value	10% Critical Value
Z(t)	-1.042	-3.668	-2.966	-2.616

MacKinnon approximate p-value for Z(t) = 0.7375

From table 4a, the null premise for gross domestic product (*GDP*) was rejected at levels 1% and 5%, since the absolute values of test statistics were greater than its critical value.

Table 4b: ADF Unit Root Results for CIT

Augmented Dickey-Fuller test for unit root — Number of obs = 37

	Test Statistic	Interpolated Dickey-Fuller: 1% Critical Value	5% Critical Value	10% Critical Value
Z(t)	-3.209	-3.668	-2.966	-2.616

MacKinnon approximate p-value for Z(t) = 0.0195

From table 4b, the null premise for company income tax (*CIT*) was rejected at levels 1% and 5%.

Table 4c: ADF Unit Root Results for PIT

Augmented Dickey-Fuller test for unit root — Number of obs = 37

	Test Statistic	1% Critical Value	5% Critical Value	10% Critical Value
		Interpolated Dickey-Fuller		
Z(t)	-1.813	-3.668	-2.966	-2.616

MacKinnon approximate p-value for Z(t) = 0.3741

From table 4.4c, the null premise for personal income tax (*PIT*) was rejected at levels 1% and 5%.

Table 4d: ADF Unit Root Results for VAT

Augmented Dickey-Fuller test for unit root — Number of obs = 37

	Test Statistic	1% Critical Value	5% Critical Value	10% Critical Value
		Interpolated Dickey-Fuller		
Z(t)	-1.389	-3.668	-2.966	-2.616

MacKinnon approximate p-value for Z(t) = 0.5876

From table 4d, the null hypothesis for value added tax (*VAT*) was rejected and the alternate hypothesis accepted at levels 1% and 5%. Given Augmented Dickey Fuller (ADF) results, Lag Order Selection Criteria (LOSC) was done to verify if there is long-run equilibrium relationship in the study variables.

Table 5: Lag Order Selection Criteria

Selection-order criteria
Sample: 1983 - 2019 Number of obs = 37

lag	LL	LR	df	p	FPE	AIC	HQIC	SBIC
0	-34.5399				.47058	2.08324	2.14464	2.25739
1	43.324	155.73*	1	0.000	.007389*	-2.07157*	-1.99482*	-1.85388*
2	43.4219	.19591	1	0.658	.007768	-2.02281	-1.93071	-1.76158

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Lagrange-multiplier test

lag	chi2	df	Prob > chi2
1	0.2762	1	0.59920
2	0.0873	1	0.76767

H0: no autocorrelation at lag order

Having found that the series are of order I (1) and I (0), the study proceeded to determine the optimal lag using the Akaike information criterion (AIC). From the table, AIC showed that the optimum lag is two. In addition, the Lagrange-multiplier result is an indication that there is no autocorrelation at lag order among the variables of the study.

Table 6: Johansen Co-Integration Results

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maximum rank	parms	LL	eigenvalue	trace statistic	5% critical value
0	12	-315.37733	.	59.8844	29.68
1	17	-302.60085	0.52837	34.3315	15.41
2	20	-292.13398	0.45974	13.3977	3.76
3	21	-285.43512	0.32568		

Cointegrating equations

Equation	Parms	chi2	P>chi2
_ce1	2	1.579526	0.4540

*(**) denotes rejection of the hypothesis at 5% and 1%, significance level
LL. test indicates 2 co-integrating equation(s) at 5% significance level

Using the likelihood ratio, the results showed that there are two co-integrating equation at 5 and 1 percent level of significance; this implies that there is presence of long-runrelationship between the dependent and independent variables of the study.

Table 7: Vector Auto-Regression Result for GDP and PIT

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Sample:  1983 - 2019                            No. of obs      =         37
Log likelihood =  43.16044                      AIC             =  -2.11678
FPE            =  .0070565                      HQIC            = -2.055383
Det(Sigma_ml)  =  .0056796                      SBIC            = -1.942627

Equation           Parms      RMSE     R-sq      chi2      P>chi2
------------------------------------------------------------------
lgdp                   4      .0798   0.9942   6396.314   0.0000
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lgdp	Coef.	Std. Err.	z	P>|z|	[95% Conf.	Interval]
lgdp						
lgdp						
L1.	1.053323	.162153	6.50	0.000	.7355095	1.371137
L2.	-.0698102	.1618799	-0.43	0.666	-.3870889	.2474686
pitgdp	-.1172514	.3409335	-0.34	0.731	-.7854687	.550966
_cons	.1425483	.0628477	2.27	0.023	.0193691	.2657275

Source: Computed by Researcher via STATA 13.0

Table 7 showed the regression of personal income tax (PIT) and economic growth (GDP) in Nigeria during the period 1981-2019. The R-Squared is 0.9942, indicating that the independent variable explained about 99% of the systematic variation in economic growth (GDP). The result further showed that personal income tax (*vat*= -0.34) insignificantly and negatively affects economic growth. Besides, the p-value (0.731) indicated that there is no significant relationship between personal income tax and economic growth in Nigeria and the relationship is negative.

Table 8: Vector Auto-Regression Result for GDP and CIT

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Sample:  1983 - 2019                            No. of obs      =         37
Log likelihood =  43.12361                      AIC             =  -2.11479
FPE            =  .0070705                      HQIC            = -2.053393
Det(Sigma_ml)  =  .0056909                      SBIC            = -1.940637

Equation           Parms      RMSE     R-sq      chi2     P>chi2
------------------------------------------------------------------
lgdp                   4     .079879   0.9942   6383.521   0.0000
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lgdp	Coef.	Std. Err.	z	P>|z|	[95% Conf.	Interval]
lgdp						
lgdp						
L1.	1.051088	.1621075	6.48	0.000	.7333627	1.368813
L2.	-.0660419	.1614737	-0.41	0.683	-.3825245	.2504407
citgdp	-.0595953	.282613	-0.21	0.833	-.6135066	.4943161
_cons	.1360232	.0590876	2.30	0.021	.0202136	.2518328

Source: Computed by Researcher via STATA 13.0

Table 8 showed the regression of company income tax (CIT) and economic growth (GDP) in Nigeria during the period 1981-2019. The R-Squared is 0.9942, indicating that the independent variable explained about 99% of the systematic variation in economic growth (GDP). The result further showed that company income tax (*vat*= -0.21) insignificantly and negatively affects economic growth (GDP). Besides, the p-value (0.833) indicated that there is no significant relationship between company income tax and economic growth in Nigeria and the relationship is negative.

Table 9: Vector Auto-Regression Result for GDP and VAT

Sample: 1983 - 2019		No. of obs	= 37
Log likelihood = 43.22015		AIC	= -2.120008
FPE = .0070337		HQIC	= -2.058611
Det(Sigma_ml) = .0056613		SBIC	= -1.945855

Equation	Parms	RMSE	R-sq	chi2	P>chi2
lgdp	4	.079671	0.9943	6417.11	0.0000

lgdp	Coef.	Std. Err.	z	P>|z|	[95% Conf.	Interval]
lgdp						
lgdp						
L1.	1.04982	.1615106	6.50	0.000	.7332649	1.366375
L2.	-.0566364	.1609044	-0.35	0.725	-.3720033	.2587305
vatgdp	-3.258394	6.675313	-0.49	0.625	-16.34177	9.824979
_cons	.1173305	.0551588	2.13	0.033	.0092212	.2254398

Source: Computed by Researcher via STATA 13.0

Table 9 showed the regression of value added tax (VAT) and economic growth (GDP) in Nigeria during the period 1981-2019. The R-Squared is 0.9943, indicating that the independent variable explained about 99% of the systematic variation in economic growth (GDP). The result further showed that value added tax (*vat*= -0.49) insignificantly and negatively affects economic growth (GDP). Besides, the p-value (0.625) indicated that there is no significant relationship between value added tax and economic growth in Nigeria and the relationship is negative.

Table 10: Granger Causality Wald Results

Equation	Excluded	chi2	df	Prob > chi2
_	ALL	6487.9	5	0.000

Source: Researcher's Computation via STATA 13.0

The Granger Causality Wald Test (Table 10) was conducted between taxation and economic growth measures. The results were obtained at different lag levels and indicated a unidirectional causality relationship running from taxation to economic performance; impliedly, augmenting the taxation measures would stabilize/improve

economic growth (GDP) to the extent that improved taxation mechanisms connote increased gross domestic product.

Furthermore, the lag order two showed the role of inertia in taxation in promoting economic growth.On the other hand, the hypothesis of whether taxation Granger causes economic growth was confirmed by the Granger Causality Wald test. Overall, the conclusion is that taxation insignificantly and negatively affects economic growth in Nigeria, particularly during the period investigated. The findings of the study agree with the result of Cornelius, Ogar and Oka, (2016).

CONCLUSION

The results of the study are quite insightful; *first,* empirical result indicates that there is long-run relationship between taxation and economic growth in Nigeria during the period 1981-2019; however, a negative relationship exist between taxation measures (personal income tax, company income tax and value added) and economic growth (gross domestic product). Given the findings of the study, the following recommendations were given:

1. The reason for the negative influence of company income tax on economic growth may be connected with the fact that all companies in Nigeria are yet to be fully captured in the tax net; hence, there is the need for the government to ensure that all companies are captured in the tax net and fully comply with the payment of tax. As a matter of fact, there is the need to enforce penalty for companies that evade tax.
2. There is the need to enhance the mechanisms for the collection of petroleum profit tax; this would help in the promotion of economic growth in Nigeria.
3. Government should further strengthen the collection of value added in order to promote economic growth in Nigeria.

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