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Products Based Taxes and Economic Growth in Nigeria

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Abstract:
Tax is a mandatory levy imposed by governments on individuals and businesses to support essential functions of the state. This study examined the relationship between products based taxes, Petroleum Profit Tax (PPT) and Value Added Tax (VAT) and economic growth in Nigeria for the period 2011 to 2024. Using data procured from the Central Bank of Nigeria and from the publications of Federal Inland Revenue Service. The study analyzed the procured data with ARDL approach. Findings showed that products based taxes have positive but no significant relationship with economic growth in Nigeria. However, one-year lag of GDP growth rate has a significant long-run relationship with economic growth. But progressively, as the lagged period lengthens, lagged GDP growth rate has worsening relationship with the current growth rate of the Nigerian economy, as a positive and insignificant relationship between two-year lag and GDP growth rate followed by a negative and significant long run relationship between three-year lag and GDP growth rate, was revealed by the analysis. The study therefore recommends that: A fixed proportion of revenue derivable from products based taxes (PPT and VAT) should be tied to infrastructural development and deliverables measured periodically; Developmental programmes of government should be based on progressive, positive societal impact and not on political party programmes and manifestos, thus successive administrations should avoid policy flips that usually jettison the development programmes of past administrations (good and bad).

Keywords: taxation,, value added tax, petroleum profit tax, products, economic growth

1.1 Introduction

Tax is an economic means that governments uses to muster earnings in order to meet up with social and economic responsibilities (to provide security, quality and affordable education and health care services), and other social and economic infrastructures for the wellbeing of citizens. Taxes are also employed as economic and social tools to regulate the production and consumption actions of citizens (Aminu, Ibrahim & Sulu-Gambari, 2020; Oto & Wayas, 2024). Income obtainable from taxes plays a vital role in the development of economies globally; this necessitated the introduction of product based taxes by nations. Tax imposition and its collection mostly depend upon a country's economic structure, its developmental phase, growth of its service sector, extent to which the country has been industrialized, and its employment level (Kareem, Arije & Avovome, 2020).

Taxes influences the expenditure level of government, the productivity and level of business activities, consumption patterns of households and individuals, the propensity to save and invest plus the growth path of a nation. The economic growth of any nation depends on the amount of resources generated and under its control to finance its infrastructural need and meet its day-to-day expenditure. The resources needed are believed to be generated externally and internally -through a structured tax system (Ofishe, 2015; Kareem Arije & Avovome, 2020). Thus, the organization of tax systems and the introduction of tax payment algorithms continue to challenge governments globally, Nigeria inclusive.

Petroleum profit tax (PPT) is an essential source of revenue to the Nigerian government due to the position which petroleum occupies. PPT is regulated by the Petroleum Profit Tax Act (1959) as amended, it is imposed on the profit of oil-producing companies in Nigeria to raise revenue for the government. The crux of petroleum profit tax is to generate revenue to advance the welfare of the people of a country with focus on promoting economic growth and development through proper administrative system and structures (Inimino, Otubu and Akpan, 2020). Value added tax (VAT) also known as goods and services tax, is a consumption tax that is paid to the value added at each phase of the supply chain, in which products and services are produced. Value-added tax is an indirect tax applied to the sale of goods and services at each stage of the supply chain. It affects both producers and consumers by increasing production costs and influencing market demand (Ogunleye & Akinola, 2023). VAT was introduced in Nigeria in 1993 (but became operational in 1994) by the Federal Military Government. Prior to that, Sales Tax was under the jurisdiction of the states and generally poorly administered, with marginal contribution in terms of revenue Ajakaiye (2000).VAT, as a multi-level tax, is governed by the Value-Added Tax Act Cap V1, LFN 2004 (as amended).Value-added taxes are levied on consumption, based on the value incorporated into goods and services across the entire production and delivery cycle. By the introduction of VAT, it was intended that government revenue priorities would shift from oil revenue, which is vulnerable to international petroleum price fluctuations, to more stable internally generated revenue (Oto & Wayas, 2024).

Results from various studies on tax and economic growth are far from a conclusive conclusion, as they have shown divergent views; the work of Gbegi, Adebisi, and Bodunde (2017) revealed that taxes paid by oil and gas industries have a downward effect on profitability of oil and gas industries and thus a long-run negative effect on economic growth. While, Ojutawo, Adegbie and Salawu (2020) Inimino; Otubu and Akpan (2020) found that Petroleum profit tax had positive and significant effect on economic growth. Furthermore, the research done in Nigeria by Iriabiji, Elhomun and Kolawole (2022) showed that Petroleum Profit Tax (PPT) have negative and insignificant effects on Gross Domestic Products (GDP), National Income (NI) and Per Capital Income (PCI). Additionally, Kareem, Arije and Avovome (2020) revealed a positive and significant relationship between value-added tax economic growth in the long-run and short-run. Cole, Aroyewun, Soetan, and Akintola (2021) found a positive and significant relationship between value added tax and economic growth, Odu (2022) VAT has a significant and negative effect on GDP with a one-year lag. The study in ASEAN (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam) countries by Yoke and Chan (2018) revealed that Value Added Tax is negatively related to the manufacturing performance, positively and significantly associated with export intensity. Furthermore, the manufacturing firm perform better in countries with VAT, while exports intensity firms perform better in countries without VAT all of these finding have implications for economic growth of an economy. While, the work Omodero and Eriabie (2022) concluded that VAT is indeed a growth factor to industrial performance, and consequently influences the economic growth of a country. Therefore, the objective of this study is to examine the relationship between products based taxes and economic growth in Nigeria.

2.1 Conceptual Framework

2.1.1 Tax Income

Tax income is revenue collected by governments through taxation. Taxation is a primary source of government revenue. Revenue may be extracted from sources such as individuals, public enterprises, trade, and royalties for natural resources and/or foreign aid (Ogbonna and Appah (2012). Taxation is a fundamental tool used by governments worldwide to generate revenue for public expenditure, regulate economic activities, and promote social welfare (Musgrave and Musgrave, 2022). It involves the compulsory transfer of resources from individuals and businesses to the government, primarily aimed at funding infrastructure, public services, and economic development (Adebayo 2023). This refers to the assessment, collection and management of taxes in Nigeria.

2.1.2 Petroleum Profit Tax (PPT)

Petroleum Profits Tax (PPT) is a tax on the income of companies engaged in upstream petroleum operations. Petroleum Profits Tax is imposed on income of companies in petroleum operations (upstream). The PPT is charged on the profits of oil companies in the upstream sector. Upstream relates to winning, exploration and transportation (Ernst and Young, 2022). Petroleum is a huge earner for the government. Taxation of petroleum profit started in 1959 with the enactment of the Petroleum Profit Tax Act 1959 which was meant to have a retrospective effective date of 1st January, 1958. The tax has become an important source of Government revenue because of the special position which petroleum occupies in the Nigeria economy. Only oil-producing companies engaged in oil exportation business are expected to pay this tax.

2.1.3 Value Added Tax (VAT)

Value added tax is a consumption tax that is paid to the value added at each stage of the supply chain, in which products and services are produced. Value-added tax (VAT) is an indirect tax applied to the sale of goods and services at each stage of the supply chain. It affects both producers and consumers by increasing production costs and influencing market demand (Ogunleye and Akinola, 2023).

2.1.4 Economic Growth

Economic growth refers to the rise in the production of goods and services within an economy when compared over different time periods (Picardo, 2021). It can be described as the enhancement or increase in the inflation-adjusted market value of goods and services produced by an economy over a specific timeframe (Bennee, Okoye and Amahalu, 2021). Economic growth signifies the process through which a nation's wealth expands over time. It

involves the increase in the value of an economy's goods and services, leading to higher profits for businesses, which in turn causes stock prices to climb. Economic growth is not merely an expansion of productive capacity; it fundamentally represents an enhancement in the quality of life for individuals within that economy. This growth is intricately connected to technological advancements, driving progress and improvement across the board.

2.2 Theoretical Framework

Theories that linked tax revenue with economic growth and development are numerous. Amongst such theories are; **Benefits-received theory**: The Benefits-Received Theory of taxation, developed by economists Knut Wicksell (1896) and Erik Lindahl (1919), suggests that individuals should be taxed based on the benefits they receive from government services. This theory views taxation as a contract between the government and taxpayers, distributing the tax burden according to received benefits, rather than broader economic aims.

Socio-political theory of taxation: The socio-political theory of taxation, primarily proposed by Adolph Wagner, emphasizes that social and political objectives should be the main considerations in shaping tax policies. This theory highlights the state's responsibility in tackling societal issues such as unemployment, poverty, and inequality through taxation. Ogbonna and Appah (2012) argue that taxation is justified as a means of funding government activities and ensuring a fair distribution of tax burdens within society. They advocate for a tax system that prioritizes societal well-being over individual interests, addressing broader social challenges. Since society is more than just the sum of its individuals, the tax system should aim to strengthen the overall social structure, ultimately benefiting all members collectively. This study is anchored on the Socio-political theory of taxation as it prioritizes societal well-being over individual interests

2.3 Empirical Literature

2.3.1 Petroleum Profit Tax and Economic Growth

The research conducted by Aminu, Ibrahim and Sulu-Gambari (2020) studied the impact petroleum profit tax on economic growth in Nigeria, employing time series data and variables such as economic growth petroleum profit tax, non-oil tax revenue and governance. The study used ordinary least squares to analyze the data. Result showed a positive and significant long-run relationship between petroleum profit tax and economic growth; while non-oil tax revenue impact had a negatively relationship with economic growth. Iriabiji, Elhomun and Kolawole (2022) determined the impact of petroleum profit tax on national income, the impact of petroleum profit tax on gross domestic product and the impact of petroleum profit tax on per capital income. The findings of the study show that PPT have negative and insignificant effects on Gross Domestic Products (GDP), National Income (NI) and Per Capital Income (PCI).

The study done by Inimino, Otubu and Akpan (2020) researched on the impact of petroleum profit tax on economic growth in Nigeria within the period of 1980 to 2017. Adopting data procured from CBN statistical bulletin on Generalized Method of Moments (GMM) analytical technique as well as conducting and Granger Causality test. Findings showed that petroleum profit tax and economic growth have positive and significant relationship. The pairwise granger causality test showed bidirectional causality between petroleum profit tax and economic growth. The study concluded that petroleum profit tax has impacted on economic growth in Nigeria meaningfully during the period of study. Therefore, government should boost petroleum.

Ojutawo, Adegbie and Salawu (2020) investigated petroleum profit tax volatility on economic growth in Nigeria, using inflation and exchange rates as moderating variables. Quarterly data were obtained from National Bureau of Statistics, Central Bank of Nigeria Statistical Bulletin and Federal Inland Revenue Services for the period 1981-2017 and analyzed using both descriptive and inferential statistics. Findings revealed that Petroleum profit tax volatility had positive and significant effect on Economic Growth. The study therefore recommended that government should formulate tax policies that will encourage steady tax revenue. In addition, government should ensure prudent application of tax fund to the development of infrastructure that would translate into economic growth.

In Nigeria, Gbegi, Adebisi, and Bodunde (2017) evaluated the effect of petroleum profit tax (PPT) on Profitability of oil and gas, applying secondary data obtained from financial statements of ten (10) selected oil and gas firm from 2011 to 2015. The analyzed panel data showed that Petroleum profit tax had negative significant effects on the profitability of oil and gas firms. The study revealed that taxes paid by oil and gas industries have a downward effect on profitability of oil and gas industries.

2.3.2 Value Added Tax and Economic Growth

The works of Kareem, Arije and Avovome (2020) examine the impact of value added tax on economic growth in Nigeria. Secondary data procured from Central Bank of Nigeria Statistical Bulletin were used for the work. The result revealed that value-added tax had positive and significantly impact on economic growth in the long-run and short-run. The causality test also indicated that there was a causal relationship between Value Added Tax and economic growth in Nigeria. Cole, Aroyewun, Soetan, and Akintola (2021) investigated relationship between Value Added Tax (VAT) and economic growth in Nigeria from 2004 to 2018. The results showed a positive and significant relationship between value added tax and economic growth. The study recommended that value added tax (VAT) should be sustained and all identified loopholes should be covered for VAT revenue to continue to contribute more significantly to economic growth in Nigeria.

Also in Nigeria, Odu (2022) examined the effect of VAT on Gross Domestic Product (GDP) and the total revenue generated for the period (1994-2018) as well as the trend of VAT in the period under review. Time-series data were employed in the study to run the regression for VAT on total tax revenue and GDP. The vector error correction and autoregression models were used in the regression. VAT, total tax revenue and GDP were included in the data at the end of each year for the period (1994-2018). In other to accommodate the long-run properties of the variables, tests for stationarity and co-integration were carried out. The study finds that VAT has a significant effect on total tax revenue with a two-year lag and it increasingly explains changes in total tax revenue with time. The study also shows that VAT has a significant and negative effect on GDP with a one-year lag. The trend in VAT has a positive coefficient, indicating that VAT increases with time. In view of the findings, the study, therefore, recommends that government should critically evaluate the process of VAT

collection, eliminate bureaucratic procedures and improve transparency so that economic units can synchronize their efforts with those of tax authorities.

Yoke and Chan (2018) examined the influence of VAT on manufacturing performance of ASEAN countries over the period 1985 – 2014. The analysed result showed VAT to be negatively related to the manufacturing performance. Also, the study examined the relationship between VAT and export intensity. The finding suggests that VAT is positively and significantly associated with export intensity. The study further investigates the manufacturing performance and exports intensity between countries with VAT and countries without VAT. The result indicates manufacturing firm are perform better in countries with VAT while exports intensity are perform better in countries without VAT. It is crucial for government and policy makers to review the tax incentive and tax rebate policy in order to enhance the manufacturing performance and exports performance.

Omodero and Eriabie (2022) examined the extent to which value added tax (VAT) receipts could cause industrial sector performance as industrial performance is major element in the measurement of economic growth. Using secondary data from 2010 to 2021. The study conclude that VAT is indeed a growth factor to the industry performance, and thus influences the economic growth of a country. Among all the proposals made in this study, there is need for the government to technologically improve the supply chain in order to boost VAT revenue collection and enhance infrastructural provision that will benefit the industrial sector for a more efficient productivity and improved economic growth. Iwegbe, and Daddau, (2024) investigated the impact of Value Added Tax on Economic Growth of Nigeria. The findings indicated that economic growth, as captured by GDP, is a crucial driver of VAT revenue, highlighting the importance of policies aimed at stimulating economic growth while considering the broader fiscal context for balanced and sustainable development. In Kenya, Lawrence (2015) investigated the effect of value added tax on economic growth. Findings showed that VAT had a negative effect on gross domestic product.

3.1 Methodology

The expost-facto research design was employed in this study. This design was adopted since it seeks to establish the factors that are connected with certain occurrence or behaviour type, by analyzing past events of already existing conditions. Thus, the researcher has no control over certain factors or variables as the events already existed and can neither be manipulated nor changed

3.2 Measurement of Variables

Items	Variables	Description	Measurement
Dependent variables	Gross domestic product Growth Rate (GDPGR)	Total market value of goods & services produced in country in a period	Values as shown in CBN bulletin
Independent variables	Value Added Tax (VAT)	Consumption tax levied on goods and services supplied in nigeria and imported into nigeria.	Values as shown on FIRS website
	Petroleum Profit Tax	Tax levied on companies involved in upstream petroleum activities	Values as shown on FIRS website

3.3 Method of Data Collection

The data for the study were secondary data, obtained from the Central Bank of Nigeria (CBN) statistical bulletin and Federal Inland Revenue Service (FIRS) website for the period 2011-2024.

3.4 Procedures for Data Analysis

The method of data analysis used for this research include the Descriptive Statistics, after which ADF unit root test was carried out on the data. Descriptive statistics is the introductory analysis; it explained the normality of the variables used for the analysis. The statistics include the mean, median, minimum and maximum and standard deviations of data used to analyze the effect of money supply on taxation. The Augmented Dickey-Fuller (ADF) test was adopted to test the stationarity of variables in this study. And ARDL was assumed to test the relationship between dependent and independent variables.

3.4 Model Specification

The model for this study was based on the objectives of the study. That is, the effectiveness of taxation as an instrument for the control of money supply. Thus, the model is stated below.

GDPGR = f(PPT,

VAT)…….. Equation 1

The econometric form of the model is given as

GDPGR = a0 + a1LVAT + a2LPPT + Ut……..Equation 1

Where; GDPGR = GDP growth rate (Economic Growth), LVAT = Log values of Value Added Tax, LPPT = Log values of Petroleum Profit Tax, Ut = Error term., a_1, and a_2 are the coefficients and a0 is the constant., a_1, $a_2 < 0$ (a'priori expectation).

4.1 Presentation of Data

The data for the empirical estimation is presented in appendix 1, while, the descriptive, statistics, correlation matrix as well as the Augmented Dickey Fuller (ADF) Unit root test and Autoregressive Distributed Lag (ARDL) results are presented below.

4.2 Data Analysis

Table 4.2.1 Descriptive Statistics

	GDPGR	PPT	VAT
Mean	0.352232	297456.8	419.8721
Median	3.730000	587.1694	252.3300
Maximum	12.87000	8487490.	1946.820
Minimum	-75.44000	176.7478	0.00000
Std. Dev.	13.68479	1556807.	412.8670
Skewness	-3.224738	5.007416	2.299626
Kurtosis	17.80048	26.08754	7.739573
Jarque-Bera	608.1833	1477.773	101.7722
Probability	0.000000	0.000000	0.000000
Sum	19.72500	16657581	23512.84
Sum Sq. Dev.	10300.04	1.33E+14	9375253.
Observations	56	56	56

Table 4.2.1 above shows the features of analyzed data. GDP growth rate (GDPGR) has a mean value of 0.352232, a maximum and minimum values of 12.87000 and -75.44000 respectively, Additionally, Petroleum Profit Tax (PPT) has a mean value of 297456.8, maximum value of 8487490 and a minimum value of 176.7478. While, the mean value of Value Added Tax (VAT) is 419.8721 with maximum and minimum values of 1946.820 and 147411.0 respectively.

4.2.2 Correlation Matrix

	GDP	PPT	VAT
GDPGR	1.000000	-0.228079	0.644554
PPT	-0.228079	1.000000	-0.112554
VAT	0.644554	-0.112554	1.000000

The correlation matrix as displayed in table 4.2.2 revealed PPT strong negative correlation with GDPGR and VAT as shown by the correlation values of -0.228079 and -0.112554 respectively, while VAT have positive correlation with the dependent variable (GDPGR).

Table 4.2.3 Augmented Dickey Fuller Unit Root Test

	With	constant and Trend	Without	constant and Trend
	I(0)	**I(1)**	**I(0)**	**I(1)**
GDPGR	-6.884311***	-15.95128***	-4.674115***	-15.77023***
PPT	-6.949843[n]	-12.23762***	-1.362195n	-12.47543***
VAT	-6.479225***	-8.802999***	0.431042n	-8.857021***

Note: (**) Significant at the 5%; (***) Significant at the 1% (n) not significant

Source: Computation from E-view 10

Table 4.2.3 shows that GDPGR and VAT as model variables were stationary at levels while PPT became stationary after 1st differencing with specification that has constant and specification without constant. The result shows a mixture of order zero or I(0) order one or I(1) and I(2). Thus, the Autoregressive Distributed Lag (Bounds Testing) approach to cointegration was used for the analysis of the study.

Table 4.2.4 ARDL Bond Test

Test statistics	**Value**	**K**
F- statistics	12.56756	4
Critical value bound		
Significant	I(0)	I(1)
10%	2.63	3.35
5%	3.1	3.87
2.5%	3.55	4.38
1%	4.13	5

The results in table 4.2.4 above, showed that the null hypothesis is rejected, as the F- statistics is greater than the critical bound value at 1%, 5% and 10% respectively. Thus, the independent variables have long run effect on the dependent variable, Economic Growth. Hence, the estimated long run coefficients that indicates the long run effect and Error correction term that measures the speed of adjustment are presented below.

Table 4.2.5 Long Run form

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-3.954840	5.048530	-0.783365	0.4375
GDPGR (-1)*	-1.911213	0.335043	-5.704385	0.0000
LPPT**	1.992930	1.048876	1.900063	0.0638
LVAT**	0.538798	1.642890	0.327957	0.7445
D(GDPGR (-1))	0.597990	0.241965	2.471391	0.0173
D(GDPGR (-2))	0.041591	0.169932	0.244749	0.8078
D(GDPGR (-3))	-0.292993	0.079397	-3.690222	0.0006

The long run table showed that, there is a positive and significant long run relationship between lag one, and a negative significant relationship between lag three of GDP growth rate. Thus, the rate of economic growth of the immediate past year has significant positive effect relationship on the current GDP growth rate. But, past years GDP growth rate has negative effect on the current growth rate of the Nigerian economy. Furthermore, Petroleum Profit Tax (PPT) and Value Added Tax (VAT) has positive and no significant long run relationships with economic growth in Nigeria. This results could have been influenced by the lack of investment of the proceeds of product based taxes (PPT and VAT) on infrastructural development. Instead, revenues derived from PPT and VAT are spent on the bloated recurrent expenditure of government and leaked via corrupt pipes.

Table 4.2.6 ARDL Error Correction Regression

ECM Regression				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(GDPGR (-1))	0.597990	0.180271	3.317179	0.0018
D(GDPGR (-2))	0.041591	0.128155	0.324534	0.7470
D(GDPGR (-3))	-0.292993	0.055583	-5.271300	0.0000
CointEq(-1)*	-1.911213	0.260999	-7.322676	0.0000

R-squared	0.868279	Mean dependent var	0.164231
Adjusted R-squared	0.860046	S.D. dependent var	13.35319
S.E. of regression	4.995485	Akaike info criterion	6.128750
Sum squared resid	1197.834	Schwarz criterion	6.278845
Log likelihood	-155.3475	Hannan-Quinn criter.	6.186293
Durbin-Watson stat	1.529827		

The ECM error correction model revealed R-squared value and adjusted R-squared value of 0.86.8 and 0.86 respectively. Thus, the explanatory variable can together explain about 86% variation in the dependent variables. There is a positive and significant long run relationship between one-year lag and GDP growth rate, a positive and insignificant relationship between two-year lag and GDP growth rate, going further, there is a negative and significant long run relationship between three-year lag and GDP growth rate, rate. Thus, the rate of economic growth of the immediate past year has positive effect on the current GDP growth rate. But progressively, past years GDP growth rate has worsening relationship with the current growth rate of the Nigerian economy. This could be explained by the policy flips of various administrations, as policy of past administrations good and bad are usually jettison in name of party manifesto or superior development program, therefore abandoning continuity of development programmes, progress and policies. Furthermore, the table above showed that the speed of adjustment back to the path, in the event of short-run shock or gyration is -1.911213 units per annum towards the equilibrium as the ECM factor is correctly signed (-1.911213) and significant at 1%.

4.3 Discussion of Findings

The findings from this study generally showed that product tax revenues has significant effect on economic growth only in the short-run This findings could have been influenced by the lack of investment of the proceeds of product based taxes (PPT and VAT) on infrastructural development in Nigeria. Instead, revenues derived from PPT and VAT are spent on the bloated recurrent expenditures of government and leaked via corrupt means. Additionally the study found that, progressively past years GDP growth rate has worsening relationship with the current growth rate of the Nigerian economy. This could be explained by the policy flips of various administrations, as policy of past administrations good and bad are usually jettison in name of party manifesto or superior development program, therefore abandoning continuity of development programmes, progress and policies. Aminu, Ibrahim and Splu-Gambari (2022), Ojutawo, Adebie and Salawu (2020), Inimino, Otubu and Akpan (2020) found in their studies that petroleum profit tax has a positive and long-run effect on economic growth at variance with the finding of this study that revealed no significant relationship with the growth rate of GDP. Furthermore, Inabiji, Elhomun and Kolawole (2022) revealed, a negative relationship between petroleum profit tax and GDP. While, the findings from the works of Gbegi, Adenisi and Bodunde (2017) found a “pass-through” and negative relation between petroleum profit tax and economic growth. “Pass-through” because PPT reduces the earnings of oil and gas firms thus, influences economic growth negatively in the long-run. Also, findings from Karrem, Arije and Akkoune (2020), Aroyewun, Soetan and Akintola (2021) and Lawrence (2015) in Kenya revealed a direct and significant

long-run and short-run between value added tax and economic growth, Omodero and Eribie (2020) showed that VAT is a positive economic growth factor. Yoke and Chan (2018) studied ASEAN countries and showed that VAT is significantly related to the economic growth of export intensive nations. These finding are no in conformity with the results from this study that showed positive insignificant relationship between PPT and VAT and the growth rate of GDP in Nigeria.

5.1 Conclusion and Recommendation

Collectible tax from various sources is globally acknowledged as a major and veritable source of government revenue. This study have looked at product based taxes (petroleum profit tax and value added tax) and their collective and specific relationship with economic growth (proxied by GDP growth rate) of Nigeria. Finding from procured data have revealed that revenue from product based taxes have no significant short run and long-run relationship with economic growth in Nigeria. However, one-year lag of GDP growth rate has a significant long-run relationship with economic growth. But progressively, past years GDP growth rate has worsening relationship with the current growth rate of the Nigerian economy, as a positive and insignificant relationship between two-year lag and GDP growth rate and a negative and significant long run relationship between three-year lag and GDP growth rate, rate. The study therefore recommends that: A fixed proportion of revenue derivable from product based taxes (PPT and VAT) should be tied to infrastructural development and deliverables measured periodically; Developmental programmes of government should be based on progressive positive societal impact and not on party programmes and manifestos. Therefore, successive administrations should avoid policy flips that usually jettison the development programmes of past administrations (good and bad).

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