

ECONOMIC IMPACT OF TAX REVENUE ON ECONOMIC GROWTH IN NIGERIA

***¹Ajibola, Hussein Olamilekan, ²Obigbemi, Blessing, ³Balogun, Sherif Babajide and ⁴Olabode, Bolanle Motunrayo**

^{1,2,3}Department of Accountancy, Federal University of Technology, Ilaro, Ogun State, Nigeria

⁴Department of Public Administration, Federal University of Technology, Ilaro, Ogun State, Nigeria

DOI: <https://doi.org/10.5281/zenodo.23039293>

Abstract

This study assessed the economic impact of tax revenue on Nigeria's economic growth. This study specifically investigated the significant effect of petroleum profit tax revenue on economic growth in Nigeria, examined significant impact of company income tax revenue on economic growth in Nigeria and evaluated the degree to which value added tax revenue significantly affects economic growth in Nigeria. The study adopted secondary source of data from the Annual Report and Accounts of Federal Inland Revenue Service and CBN Statistical Bulletin from 1995 to 2024. Petroleum profit tax revenue, Company income tax revenue and Value added tax revenue were used to represent tax revenue. Normality test was carried out to confirm whether the data collected are normally distributed or not. Also, descriptive statistics, correlations and multiple regressions were used to analyze the data collected. The findings revealed that company income tax revenue ($p = 0.0201 < 0.05$) has significant effect on gross domestic product in Nigeria and; petroleum profit tax revenue ($p = 0.0674 > 0.05$) has no significant effect on gross domestic product in Nigeria; value added tax revenue ($p = 0.0146 < 0.05$) significantly affects gross domestic product in Nigeria. The study recommended that Efforts should be intensified by the government towards increased collection of tax revenue this is due to the low contribution of tax revenue to GDP over the period of study.

Keywords: Tax, Taxation, Petroleum profit tax, Company income tax and Value-added tax.

1. INTRODUCTION

Central Bank of Nigeria research in 2019 claims that the Nigerian economy is headed into recession due to dwindling oil earnings. Given the ongoing fluctuations in oil prices and output, the 2018 economic recovery does not seem to be long-term. The drop in oil revenue has forced the government to look for new ways to finance its development projects. The government intends to increase national tax collections by doing that in order to expand the tax base. The government can clearly foster an environment that is conducive to capital formation and gross domestic investment by investing in energy and power generation, infrastructure development, education, and health facilities (Madugba et al., 2020).

A country's gross domestic is seen by economists as a stand-in for economic growth, which is characterized as an increase in the value of the goods and services a country generates over time. Accordingly, economic

development is not a prerequisite for economic growth in the short- or medium-term (Alao et al., 2022). Nigeria's revenue profile is really composed of the non-oil and oil industries, with the former accounting for more than 70% of the federation's overall income. The non-oil business generated just 22.5% of GDP between 1986 and 2016, whereas the oil and gas sector contributed an average of 77.5% (Central Bank of Nigeria, 2018).

In Nigeria, the government relies on tax revenue and other income sources to fund infrastructure such as electricity, good roads for effective transportation, healthcare, education, security, and defense against both internal and external threats. The availability of these public services often motivates taxpayers, as they directly improve living standards and promote economic stability (Inyiama et al., 2020). Furthermore, adequate infrastructure enhances business activities, as reliable power, good roads, and efficient communication systems improve the ease of doing business and boost production. This, in turn, drives economic growth (Kiabel & Nvokah, 2019).

In Nigeria, tax revenue has been relatively low, limiting the government's ability to meet its developmental goals. Although the country has recorded GDP growth, this has not translated into meaningful social progress, as poverty, unemployment, inequality, and rising debt levels remain widespread. Taxes in Nigeria are levied on both individuals and companies through direct and indirect channels. Despite numerous tax reforms, the contribution of tax revenue to government spending has stayed weak (Edame, 2021). While petroleum has long been a major source of government revenue, recent sharp declines in oil prices have reduced funds available for economic management. This has made it imperative for government to strengthen internal revenue generation through petroleum profit tax, and company income tax, personal income tax, customs and excise duties, and value added tax (Kiabel & Nvokah, 2019). However, many researches have been done on this subject in the past. Some of these studies are the ones conducted by Abubakar and Mustapha (2020); Onoja and Ibrahim (2021); Ayeni and Omodero (2022); Nwachukwu et al. (2022); Ifeoma et al. (2023); Onyiah et al. (2024). Nevertheless, a review of these empirical studies revealed a research vacuum as there was insufficient proof to distinguish between the impacts tax revenue on economic growth due to inconsistency in the findings of the studies. Consequently, this study examined the effect of tax revenue economic growth in Nigeria, thereby focusing on the following objectives:

- i. To examine how company income tax affects Nigerian gross domestic product.
- ii. To investigate the effect of petroleum profit tax on Nigerian gross domestic product.
- iii. To evaluate the effect of value added tax and Nigerian gross domestic product.

2. LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Economic Growth

Dwivedi (2019) views economic growth as a long-term, steady rise in net national product or per capita national production. It means that the pace of rise in overall production needs to be greater than the rate of increase in the population. The idea that national production should be made up of products and services

that meet the needs of the greatest number of people is another way to measure economic growth. Appah and Oyandonghan (2023) viewed economic growth as a rise in the value of products and services produced by a country over time, which may be used to determine a country's size. It is a steady growth in per capita national production or net national product over a long time. It means that the pace of rise in total production must be greater than the rate of population growth, resulting in an improvement or enhanced quality of living for residents.

2.1.2 Gross Domestic Product (GDP)

GDP involves an aggregate measure of production equal to the sum of the gross value added of all resident and institutional units engaged in production, plus any taxes, and minus any subsidies, on products not included in the value of their outputs (OECD, 2021). Furthermore, Ironkwe and Agu (2019) opined that the contribution of each industry or sector to the overall GDP may also be determined. The per capita GDP, often known as the mean standard of living, is calculated as the GDP divided by the entire population of the region. The world's most potent statistical measure of a country's success and development is its GDP. One of the main metrics used to assess the state of an economy is the gross domestic product (GDP).

2.1.3 Tax Revenue

Tax revenue is a compulsory, non-repayable contribution to the government made by individuals, businesses, or associations. It can be based on wealth, profits, or sales, serving as a revenue source and a fiscal policy instrument (Fagbemi, 2017). Tax bases differ, for instance, excise duties are levied on product manufacturing or processing, while income tax is based on taxpayer earnings defined by law. The Federal Inland Revenue Service (now Nigeria Revenue Service) was restructured as an autonomous agency with a governing board, funded partly by retaining 4% of collected non-oil revenue for administrative purposes, and given authority to handle tax refunds (Uket et al., 2020). Tax revenue supports a wide range of government programs, including infrastructure, social services, and administration, making it the most vital source of public finance (Rabul, 2020). Petroleum profit tax and company income tax were used as proxy for tax revenue in this study.

2.1.4 Company Income Tax (CIT)

Company income tax is one of the major taxes imposed in Nigeria in accordance with constitutional provisions. Chigbu and Njoku (2020) explained that taxes are levied on individuals, groups, businesses, or corporate entities by constituted authorities to generate revenue for maintaining peace, security, and promoting economic growth and development for the benefit of citizens. CIT was first introduced in Nigeria in 1961, and over time, the law has undergone several amendments. It is currently codified as the Companies Income Tax Act (CITA) of 1990 (Odusola, 2021). The Federal Inland Revenue Service (now Nigeria Revenue Service) is mandated to administer CIT. The revenue generated from CIT is expected to fund both social and security-related infrastructure, thereby enhancing societal welfare (Okon, 2017). Afuberoh et al. (2024) further argued that income tax not only supports government expenditure but also drives key developmental objectives, particularly in developing economies, where raising per capita income and improving living standards are major goals.

2.1.5 Petroleum Profit Tax (PPT)

The Petroleum Profit Tax, governed by the Petroleum Profit Tax Act, is administered by the FIRS and applies to companies engaged in upstream petroleum operations. These operations include exploration, extraction, and transportation of petroleum, but exclude refining (Evans & Hunt, 2021). Petroleum taxation serves as a mechanism for revenue sharing between host governments and international oil companies. PPT is a direct tax, levied annually on net profits from petroleum exploration and production (Mulinge, 2021). However, Abata (2024) stresses that PPT is the most significant source of government revenue in Nigeria, contributing about 70% of total government income and 95% of foreign exchange earnings. Nigerian law, under the PPTA of 2004 (amended in 2007), requires taxation of petroleum profits and provides guidelines for assessment and collection (Jakir, 2021). However, the tax has primarily been used for revenue generation rather than promoting economic development. Given the centrality of oil to Nigeria's economy, sustaining the petroleum sector is crucial for growth (Chigbu & Njoku, 2020).

2.1.6 Value-Added Tax (VAT)

Okpe (2020) viewed value added tax as a levy imposed on the value added to goods and services as they go through different stages of production and distribution as well as to services as they are rendered. In 1994, Nigeria implemented Value Added Tax (VAT) as a consumption tax. Many nations throughout the world have adopted the value-added tax (VAT), which is a consumption tax that is both easy to administer and hard to avoid (Federal Inland Revenue Service, 2018). The legislation that governs the collection of taxes owed on taxable products or services is the Value-Added Tax Act, 1993. The information available supports the idea that VAT collection is already a sizable source of income for Nigeria (Adereti et al., 2015).

2.1.7 Conceptual Model

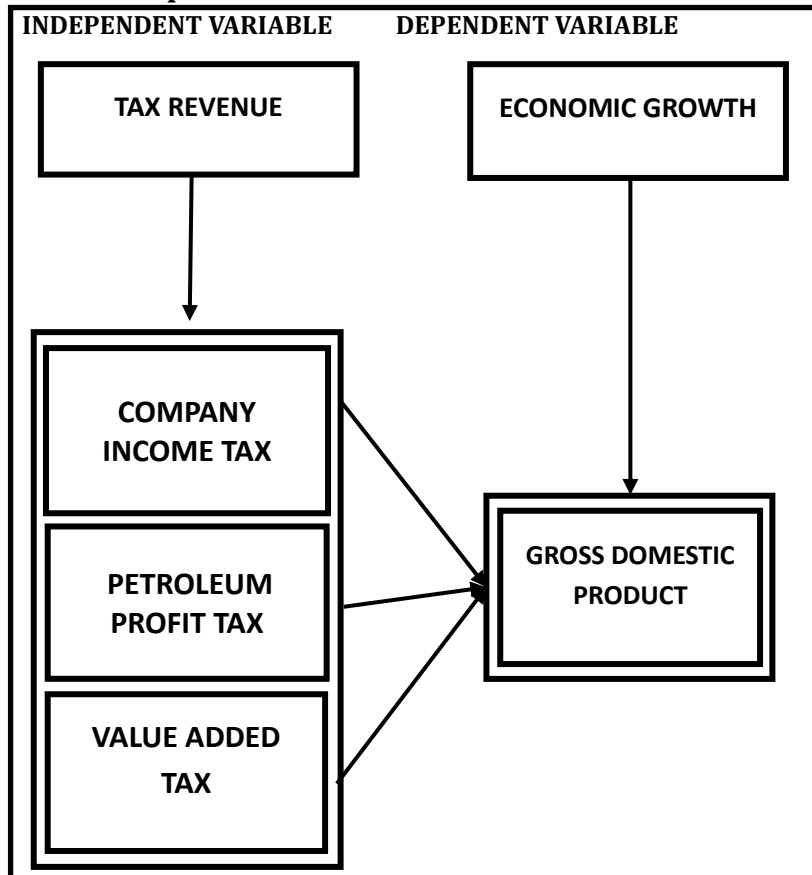


Figure 1: Conceptual Model

Source: Researchers (2026)

2.2 Theoretical Framework

The Benefit Received Theory

The Benefit Received Theory, also known as the benefit principle, was originally associated with Knut Wicksell (1896), who proposed that taxpayers should contribute in proportion to the benefits they receive, advocating a unanimity rule. Erik (1919) later expanded on this idea by developing the voluntary-exchange model, where each taxpayer's contribution, or "Lindahl price" equals their marginal benefit from public goods. The theory assumes that taxpayers' benefits from public expenditure can be credibly identified, personalized tax shares can be imposed, and that the provision of public goods occurs at an equilibrium where marginal cost equals the sum of individual marginal benefits. It also emphasizes consensus-based financing rather than redistribution, though practical challenges such as misreporting, limited information, and equity concerns complicate its application (Weinzierl, 2018; Scherfet al., 2019). In public finance, the principle addresses two key questions: who pays and who benefits. It views taxation as a reciprocal

arrangement where the state provides goods and services in return for taxes (Bhartia, 2019). The theory suggests that higher tax revenue should translate into greater spending on infrastructure, enabling economies to transition from low productivity and savings toward sustainable growth (Muojekwu & Udeh, 2023). As a result, Benefit Received theory was adopted as one of this study's underpinning theory because the theory underscores the efficient use of tax revenue for social and economic facilities, which in turn supports economic development (Ihendinihu, 2019).

2.3 Empirical Review

Abubakar and Mustapha (2020) conduct an empirical assessment of the relationship between tax revenue and economic development in Nigeria from 1981 to 2017. It makes use of time series data from the National Bureau of Statistics (NBS) webpage, FIRS yearly publications, and CBN statistical bulletins. OLS and ARDL approaches were used to estimate the relationships, dynamics, and long-term impacts of independent factors on dependent variables in order to meet the study's objectives. While the ARDL long-run estimation showed that the government domestic debt, petroleum profit, and value added tax are significant and positively connected to GDP, the ARDL bound test revealed that the variables are cointegrated.

Onoja and Ibrahim (2021) investigate the connection between tax income and economic growth in Nigeria. Secondary methods were used to collect data in order to accomplish this goal. Value added tax, company income tax, and petroleum profit tax serve as stand-ins for tax revenue, while the gross domestic product stands in for economic growth. The computer program Stata was used to examine the data that were gathered. The study found that while value added tax and companies' income tax (non-oil tax revenue) have a substantial association with Nigerian economic growth, petroleum profit tax (oil tax revenue) has a positive but no significant relationship with the country's economic growth.

Ayeni and Cordelia (2022) used time series data covering the years 2000 through 2021 to evaluate the impact of tax revenue on Nigeria's economic growth. The study's specific objective is to assess how Nigeria's economic development is impacted by the value added tax, corporation income tax, and hydrocarbon tax. The study uses secondary data that was obtained from public Federal Inland Revenue Statements and the CBN statistics bulletin. For this study, an ex-post facto research design is employed. The Augmented Dickey Fuller technique is used to assess and test the acquired data for unit root. It is discovered that the research variables (GDP, PPT, CIT, and VAT) are stationary at first difference. As a result, a long-term association is shown by a Johansen co-integration test. As a result, the study assesses the impact of PPT, CIT, and VAT on GDP using the Vector Error Correction Model. The results show that VAT and PPT significantly and favorably affect GDP. It also shows that CIT significantly and negatively affects GDP.

Nwachukwu et al. (2022) looked at how taxes affected Nigeria's economic expansion. The study specifically looks at how Nigeria's value-added tax affects economic growth. Examine the impact of Nigeria's petroleum profit tax on the country's economic development. Determine how Nigeria's corporate income tax and personal income tax affect the country's economic expansion, respectively. An ex-post facto research design was used in the study. Utilizing descriptive statistics, augmented Dicker Fuller tests for unit roots, and the

ordinary least square (OLS), econometric approaches were used to examine the data. Based on the study's findings, Nigeria's gross domestic product is positively and significantly impacted by value added tax, petroleum profit tax, personal income tax, and corporation income tax. Accordingly, the analysis comes to the conclusion that taxes boost Nigeria's GDP.

The impact of tax revenue on economic growth in Nigeria was experimentally investigated by Ifeoma et al. (2023). GDP was used as a proxy for economic growth, while PPT, CIT, VAT, and CTD were used as proxies for tax revenue. Ex post facto research methodology was used, and time series quarterly data were gathered for ten years (2011-2020) from the statistics bulletins of CBN and FIRS. Descriptive analysis, unit root test, boundaries cointegration test, and ARDL were used to examine the collected data. The results showed that the beneficial but negligible benefits of PPT, CIT, VAT, and CTD on economic development. According to the study's findings, tax income had little bearing on Nigeria's economic growth. Also, Onyiah et al. (2024) examined the relationship between tax revenue, external debt, and economic growth in Nigeria from 2006–2022, adopting an ex-post facto design and secondary data from CBN, BOF, and OAGF. Using OLS regression with statistical adequacy tests and ANOVA, the findings revealed that both tax revenue (proxied by VAT) and external debt significantly and positively influenced GDP.

Adesanya et al. (2024) investigated the relationship between tax revenue and economic growth in Nigeria from 2011 to 2022, using total tax revenue and nominal GDP at current prices. Data was gathered from quarterly reports provided on the websites of the Central Bank of Nigeria, the National Bureau of Statistics, and the Federal Inland Revenue Service from 2011 through 2022. The Unit Root test utilizing the Augmented Dickey-Fuller test demonstrates that the variables are stationary at the 1%, 5%, and 10% levels of significance, however the Engle and Granger co-integration test provides considerable evidence of a long-run link between the variables in the study's models. The Error Correction Model estimation results reveal that overall tax revenue has a positive and substantial influence on Nominal Gross Domestic Product, and vice-versa. The Granger causality test found that in Nigeria, total tax revenue has a positive and substantial bidirectional influence on Nominal Gross Domestic Product.

Dabor et al. (2025) look at how tax income affects economic growth in Nigeria. This research spans 27 years, from 1995 to 2022. The rationale for selecting this era is that it corresponds to the time when the Nigerian government implemented value added tax, one of the indirect components. The link between the dependent and independent variables was determined using a vector error correction model. The findings revealed that there is a substantial negative association between corporation income tax and economic growth in Nigeria in both the long and short term. The findings also demonstrated a substantial negative correlation between customs tariff and economic development. In contrast, the findings demonstrated that there is a positive and substantial association between value added tax and economic growth in both the long and short term.

Odion and Obasha-Isaac (2026) investigated the correlation between tax revenue and economic growth in Nigeria. The purpose of this study was to see if corporation income tax, petroleum profit tax, and value-added tax had a substantial influence on Nigeria's GDP per capita. The study relied on secondary data,

especially time series data. For the 2014-2023 research period, data were collected from the Federal Inland Revenue Service and the CBN Statistical Bulletin. The Ordinary Least Squares approach was used to analyze data in the research. The findings indicated that corporation income tax, petroleum profit tax, and value-added tax had a considerable influence on Nigeria's GDP per capita.

The following hypotheses were formulated in line with the study's objectives, since there have mixed outcomes from the previous studies:

Ho₁: Company income tax has no significant effect on Nigerian gross domestic product.

Ho₂: Petroleum profit tax has no significant effect on Nigerian gross domestic product.

Ho₃: Value added tax does not significantly affect Nigerian gross domestic product.

3. METHODOLOGY

The research design for this research work takes the form of an ex-post facto, secondary data which serves as the data source for this study are already available and cannot be manipulated. The study covers a 30-year period from 1995 to 2024. The time series data was gathered from CBN Statistical Bulletin as well as annual report of FIRS (now National Revenue Service). Descriptive, correlation and regression analysis were conducted among the dependent and independent variables. Ordinary Least Square was employed to analyze the data collected. The OLS model for this study was adopted from Uket et al. (2020) as specified below:

$GDP = f(PPT, CIT, VAT) \dots\dots\dots i$

Mathematically expressed in this form:

$GDP = \beta_0 + \beta_1 PPT + \beta_2 CIT + \beta_3 VAT + \mu \dots\dots\dots ii$

Where:

GDP = Gross Domestic Product (Dependent Variable)

PPT = Petroleum Profit Tax Revenue (Independent Variable)

CIT = Company Income Tax Revenue (Independent Variable)

VAT = Value Added Tax Revenue (Independent Variable)

μ = Error term

β_0 = Intercept

β_1 - β_3 = Slope coefficients

4. RESULTS AND DISCUSSION

This part of the study involves the presentation and interpretation of the results obtained through descriptive statistics, unit root test, heteroskedasticity, correlation and regression analyses.

4.1 Presentation of Result**Table 1 Descriptive Results**

	GDP	CIT	PPT	VAT
Mean	58998.35	1093.455	2343.848	796.0161
Median	63218.72	1215.057	2114.268	767.3335
Maximum	72393.67	1907.581	5396.091	2072.850
Minimum	37474.95	140.3000	1157.808	178.1000
Std. Dev.	12112.39	531.7143	1014.633	487.2975
Skewness	-0.529755	-0.393479	1.564808	1.050939
Kurtosis	1.751295	2.222606	5.817486	3.952195
Jarque-Bera	1.899626	0.866748	12.56068	3.771566
Probability	0.386813	0.648318	0.001873	0.151710
Sum	1002972.	18588.73	39845.42	13532.27
Sum Sq. Dev.	2.350109	4523522	16471676	3799342
Observations	30	30	30	30

Source: E-Views 12 Output, 2026.

The table above shows the descriptive statistics of the dependent and independent variables employed by the study. From the table, the value of averages for the dependent and independent variables are 58998.35, 1093.455, 2343.848 and 796.0161 for GDP, CIT, PPT and VAT respectively. The maximum values of the variables are 72393.67, 1907.581, 5396.091 and 2072.850 respectively. On the other hand, the minimum values of the variables are shown as 37474.95, 140.3000, 1157.808 and 178.1000 respectively. Therefore, the study concluded that data collected for GDP, CIT and VAT are normality distributed, as the probability values (0.386813, 0.648318 and 0.151710) are greater than 0.05 significant level, while the data collected on PPT are not normally distributed since its corresponding probability value 0.001873 is less than 0.05 significant level.

Table 2 Correlation Analysis

	GDP	CIT	PPT	VAT
GDP	1.000000			
CIT	0.546409	1.000000		
PPT	-0.249119	0.368094	1.000000	
VAT	0.830540	0.579598	-0.191527	1.000000

Source: E-Views 12 Output, 2026.

The table above represents the correlation results between the adopted variables, GDP, CIT, PPT and VAT. From the results, it can be seen that CIT and VAT have strong positive relationship with the dependent variable (GDP) with correlation coefficients shown as 0.54640 and 0.830540, with their corresponding

significant p-value shown as 0.0232 and 0.0000 respectively. However, PPT has a weak negative relationship with the dependent variable (GDP) with a correlation coefficient of -0.249119 with an insignificant p-value of 0.3349.

Table 3 Unit Root Test Results

At Level					
		GDP	PPT	CIT	VAT
With Constant	t-Statistic	-1.5839	-3.3211	-2.7904	-0.1210
	Prob.	0.4793	0.0219	0.0706	0.9389
		n0	**	*	n0
With Constant & Trend	t-Statistic	-2.5855	-3.0271	-2.0487	-1.5544
	Prob.	0.2887	0.1404	0.5541	0.7885
		n0	n0	n0	n0
Without Constant & Trend	t-Statistic	2.4256	1.4502	2.0959	1.7618
	Prob.	0.9952	0.9605	0.9898	0.9788
		n0	n0	n0	n0
		d(GDP)	d(PPT)	d(CIT)	d(VAT)
With Constant	t-Statistic	-6.6113	-7.1175	-6.4594	-3.8780
	Prob.	0.0000	0.0000	0.0000	0.0057
		***	***	***	***
With Constant & Trend	t-Statistic	-6.6479	-7.7462	-7.6325	-3.8888
	Prob.	0.0000	0.0000	0.0000	0.0244
		***	***	***	**
Without Constant & Trend	t-Statistic	-5.3141	-6.7378	-5.3194	-3.6272
	Prob.	0.0000	0.0000	0.0000	0.0007
		***	***	***	***

Source: E-views 12 Output, 2026.

Table 3 presents the unit root test conducted to determine whether the variables are stationary or exhibit unit roots. At level, the results show that government capital expenditure (GDP), petroleum profit tax (PPT), and value added tax (VAT) have probability values above 0.05 in most test specifications, indicating non-stationarity at this stage. In contrast, company income tax (CIT) shows significance at the 5% and 1% levels under certain conditions, suggesting partial stationarity at level. At first difference, however, all variables display highly significant t-statistics, with probability values below 0.05 across different specifications. This confirms that the series attain stationarity after first differencing and are therefore integrated of order one, I(1). Hence, GDP, PPT, CIT, and VAT contain unit roots at level but achieve stationarity after first differencing.

Table 4 Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	1.227140	Prob. F(3,30)	0.3170
Obs*R-squared	3.716240	Prob. Chi-Square(3)	0.2938
Scaled explained SS	4.436039	Prob. Chi-Square(3)	0.2181

Source: E-views 12 Output, 2026.

The Breusch-Pagan-Godfrey heteroskedasticity test results in Table 4 revealed p-values of 0.3170, 0.2938, and 0.2181, all above the 0.05 threshold. This indicates that the null hypothesis of homoskedasticity cannot be rejected, meaning the error variances are constant and the model is free from heteroskedasticity issues. However, even though the model does not suffer from heteroskedasticity and has well-behaved error terms, its explanatory power is very weak since the independent variables fail to significantly influence the dependent variable.

Table 5 Regression Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CIT	7589.418	2866.816	2.647333	0.0201
PPT	-3.467830	1.737984	-1.995317	0.0674
VAT	12.20380	4.335299	2.814985	0.0146
C	5776.679	15790.48	2.365833	0.0204
R-squared	0.803921	Mean dependent var		58998.35
Adjusted R-squared	0.758672	S.D. dependent var		12112.39
S.E. of regression	5950.228	Akaike info criterion		20.42257
Sum squared resid	4.604908	Schwarz criterion		20.61862
Log likelihood	-169.5919	Hannan-Quinn criter.		20.44206
F-statistic	17.76662	Durbin-Watson stat		1.745442
Prob(F-statistic)	0.000070			

Source: E-View 12 Output, 2026.

From the table above, the model previously stated can be expressed as follows;

$$GDP = 5776.679 + 7589.418CIT - 3.467830PPT + 12.20380VAT$$

From the above equation, it can be seen that CIT and VAT have positive effect on the dependent variable (GDP), while PPT has negative effect on GDP. This can further be interpreted that, if CIT and VAT increases by one unit each, Nigerian GDP will rise by 7589.418 and 12.20380 respectively, while an increase in PPT will trigger a fall in the Nigerian GDP by 3.467830. The t-test result of the independent variables was also shown as 2.647333, -1.995317 and 2.814985 for CIT, PPT and VAT respectively. It can be seen that the t-cal value for CIT and VAT is greater than t-tab of 2, while that of PPT is less than 2. The variables' corresponding

probability values (p-values) were also shown as 0.0201, 0.0674 and 0.0146 respectively. The probability values for CIT and VAT can be interpreted to be statistically significant, as the value is less than 0.05 significant level, while that of PPT can be interpreted to be statistically insignificant, as the p-value is greater than 0.05 level of significant.

Consequently, the R-squared statistic shows a value of 0.803921 which can be interpreted to mean that only 80.39% of the total variation in the Nigerian GDP can be explained by CIT, PPT and VAT while the remaining percentage can be explained by other parameters not adopted by the study. The F-Statistic is given as 17.76662 with a corresponding probability value of 0.000070, which implies that the model derived is statistically significant as the p-value is less than 0.05 significant level. However, 1.745442 was shown as the value for Durbin-Watson statistic result, which can be interpreted to mean that there is absence of auto-correlation as the value presented rise above 1.5. This implies that the variables are in good shape.

4.2 Interpretation of Results

4.2.1 Test of Hypotheses

Ho₁: Company income tax revenue has no significant effect on Nigerian gross domestic product.

The regression table reveals the t-cal for company income tax (CIT) to be 2.647333 with a corresponding probability value of 0.0201 which was interpreted to be statistically significant, as the p-value is less than 5% significant level. As a result of this, the study therefore rejects the null hypothesis two stated above and restates that company income tax revenue has significant impact on economic growth in Nigeria.

Ho₂: Petroleum profit tax revenue has no significant effect on Nigerian gross domestic product.

From the regression table presented earlier, the t-cal value for petroleum profit tax (PPT) was shown as -1.995317 with a corresponding probability value of 0.0674 which was interpreted to be statistically insignificant as the value is greater than 0.05 significant level. The study therefore fails to reject the null hypothesis stated above and concurs that petroleum profit tax revenue has no significant effect on economic growth in Nigeria.

Ho₃: Value added tax revenue does not significantly affects Nigerian gross domestic product.

It can be seen from the regression table that value added tax (VAT) has a p-value of 0.0146, which was interpreted to be statistically significant at 0.05 threshold. With this, the study therefore rejects the null hypothesis three stated above and restates that value added tax revenue significantly affects Nigerian gross domestic product.

4.3 Discussion of Findings

This study's primary goal is to evaluate the financial effect of tax revenue on Nigeria's economic growth. After reviewing a number of earlier empirical investigations carried out in Nigeria, it was discovered that while some of the results of prior studies conflicted with the conclusions of the current study, other results were connected to the findings of this study, as detailed below:

This study found that money generated by corporation income tax has a noteworthy influence on the expansion of Nigeria's economy. This result is consistent with research by Abubakar and Mustapha (2020);

Onoja and Ibrahim (2021); Ayeni and Cordelia (2022); Nwachukwu et al. (2022); Ifeoma et al. (2023); Onyiah et al. (2024). Furthermore, the study's findings showed that Nigeria's economic development is not significantly impacted by the money from the petroleum profit tax. This result, however, is consistent with the research conducted by Abubakar and Mustapha (2020); Onoja and Ibrahim (2021); Ayeni and Cordelia (2022). However, the current findings were not in agreement with research conducted by Ifeoma et al. (2023); Onyiah et al. (2024); Nwachukwu et al. (2022). In conclusion, this study discovered a strong correlation between value added tax income and Nigeria's economic expansion. However, this result is consistent with the findings of the following researchers: Abubakar and Mustapha (2020); Onoja and Ibrahim (2021); Ayeni and Cordelia (2022); Nwachukwu et al. (2022); Ifeoma et al. (2023); Onyiah et al. (2024).

5.1 Conclusion

It was observed from the findings that corporation income tax positively affects the expansion of Nigeria's economy. Additionally, the regression table shows that the business income tax (CIT) has a t-cal of 2.647333 and a matching probability value of 0.0201. Because the p-value is less than 5% significant, this data was deemed statistically significant. This leads to the conclusion that corporation income tax is a reliable indicator of Nigerian economic growth for the government and its agencies.

Furthermore, the results showed that Nigeria's economic growth is negatively affected by petroleum profit tax revenue. It also demonstrates that a rise of one unit in PPT will result in a 3.467830 decline in GDP. Furthermore, it was discovered that the petroleum profit tax (PPT) had a t-cal value of -1.995317 and a corresponding probability value of 0.0674. Because the value was bigger than the 0.05 significant level, this was deemed as statistically unimportant. This leads the analysis to the conclusion that the petroleum profit tax is not a reliable source of information for estimating Nigeria's GDP.

Value added tax revenue was found to have significant effect on Nigerian economic growth proxy by gross domestic product. This was understood to suggest that VAT and the dependent variable (GDP) have a strong positive and significant link. As a result, the study comes to the conclusion that there is a strong and significant correlation between value added tax and the GDP growth of Nigeria.

5.2 Recommendations

In accordance with the study's results and conclusions, the following suggestions are made:

Since company income tax significantly contributes to capital expenditure, government should continue to strengthen tax administration and compliance systems to maximize corporate tax revenue.

In addition, given the insignificant role of petroleum profit tax, transparency and accountability in petroleum revenue management should be improved. Stronger fiscal discipline is needed to ensure oil revenues are channeled into long-term development projects rather than recurrent expenditure.

Furthermore, VAT administrators should receive continuous training and retraining through conferences and seminars to stay up to date with the latest developments in tax administration. This is because, as the results demonstrate, there is a long-term positive and significant association between VAT and GDP.

References

- Abata, M. A. (2024). The impact of tax revenue on Nigerian economy. *Journal of Policy and Development Studies*, 9(1) 109-121.
- Abubakar, B. A., & Mustapha, A. A. (2020). Impact of tax revenue on economic growth in Nigeria. *Bullion*, 44(4), 64-77.
- Adegbeie, F. F., & Fasina, A. S. (2022). Company income tax and Nigeria economic development. *European Journal of Social Sciences*, 22(2), 309-319.
- Adereti, S. A., Sanni, M. R., & Adesina, J. A. (2015). Value added tax and economic growth of Nigeria, *European Journal of Humanities and Social Sciences*, 10(1), 456-471.
- Adesanya, R. O., Anene, E. B., Bosah, V. I., Bankole, O. E., Ogundele, O. S. (2024). Tax revenue and economic growth in Nigeria: A bi-directional approach. *International Journal of Scientific Research and Management*, 12(02), 5880-5887.
- Afubero, D., & Okoye, L. (2024). Economic growth and standard of living in developing countries: A policy perspective. *International Journal of Development Economics*, 15(1), 25-40.
- Alao, O., Adegbeie, F. F., & Tomemewo, A. O. (2022). Tax revenue and economic growth in Nigeria: Achieving the 21st Century Agenda. *Journal of policy and Development Studies*, 9(1), 109-121.
- Appah, E., & Oyandonghan, J. K. (2023). The challenges of tax mobilization and management in the Nigerian economy. *Business Administration Manager*, 6(2), 128-136.
- Ayeni, O. A., & Omodero, C. O. (2022). Tax revenue and economic growth in Nigeria. *Journal of Cogent Business and Management*, 9(1), 1-19.
- Bhartia, H. L. (2019). *Public finance* (14th ed.). Vikas Publishing House.
- Central Bank of Nigeria (2018). Circular number CBN/GEN/DMB/02/006.
- Chigbu, E. E., & Njoku, C. O. (2019). Taxation and the Nigerian economy. *Management Studies and Economic System*, 2(2), 111-128.
- Dabor, A. O., Onaji, A. A., & Ogujiofor, M. N. (2025). Tax revenue and economic growth in Nigeria: A theoretical and empirical review. *Asian Journal of Economics, Finance and Management*, 7(1), 17-23.

- Edame, G. (2021). The persistent low tax revenue contribution to Nigerian government expenditure: Causes and solutions. *Journal of Public Finance and Policy*, 14(1), 70–85.
- Fagbemi, S. (2017). Tax revenue and fiscal policy in Nigeria. *Journal of Taxation and Finance*, 5(1), 34–50.
- Federal Inland Revenue Service (2018). *Annual summary of collected tax in Nigeria*. Available from www.firs.gov.ng.
- Ifeoma, P. O., Godwin, O., Fadekemi, Z. A., & Josephine, M. O. (2023). Tax revenue and economic growth: Empirical evidence from Nigeria. *Journal of Economics and Behavioral Studies*, 15(1), 15-26.
- Ihendinihu, J. U. (2019). The benefit principle and effective tax revenue utilization in developing economies. *International Journal of Public Finance*, 6(1), 10–27.
- Inyiama, U. K., Chineddu, A., & Nnenna, F. I. (2020). Impact of tax reforms and economic growth in Nigeria: A time series analysis. *African Research Journal*, 4(1), 62-68.
- Ironkwe, H. O., & Agu, J. O. (2019). Tax revenue and the Nigerian economy. *International Journal of Academic Management Science Research*, 3(2), 61-66.
- Jakir, S. (2021). Petroleum profit tax and legal framework in Nigeria: An overview. *Journal of African Energy Law*, 7(2), 45–59.
- Kiabel, B., & Nvokah, S. (2019). Tax revenue and government capital expenditure in Nigeria: An empirical study. *Journal of African Finance*, 10(2), 78–95.
- Madugba, H. T., Ekwe, R. O., & Okezie, O. A. (2020). Tax revenue and economic growth: Empirical evidence from Nigeria. *Journal of Economics and Behavioral Studies*, 15(1), 15-26.
- Mulinge, K. (2021). Fiscal policy and economic growth: The case of Nigeria's federal government capital expenditure. *African Journal of Fiscal Studies*, 13(2), 100–117.
- Muojekwu, U., & Udeh, J. (2023). Tax revenue and infrastructural development: Evidence from Nigeria. *Journal of Fiscal Studies*, 17(1), 77–92.
- Nwachukwu, R. C., Nwoha, C., & Inyama, O. (2022). Effect of taxation on economic growth in Nigeria. *International Journal of Innovative Finance and Economics Research*, 10(4), 179-193.
- Odion, A., & Obasha-Isaac, J. E. (2026). Tax revenue and economic growth in Nigeria. *Journal of Business Development and Management Research*, 11(7), 66-78.

- Odusola, A. F. (2021). Tax policy reforms in Nigeria. *World Institute for Development Economic Research*, 7(2), 141-156.
- Okon, O. S. (2017). Value added tax and economic growth of Nigeria. *European Journal of Humanities and Social Sciences*, 10(1), 455-471.
- Onoja, E. E., & Ibrahim, A. S. (2020). Tax revenue and Nigerian economic growth. *European Journal of Social Sciences*, 3(1), 30-44.
- Okpe, C. J. (2020). Effect of total revenue on macro-economic variables. *American Academy of Financial Management*, 8(3), 56-78.
- Onyiah, C., Ugwoke, R., & Nwangwu, D. (2024). Tax revenue, external debt and economic growth in Nigeria. *African Journal of Business and Economic Policy*, 15(1), 92–110.
- Rabul, K. (2020). Tax revenue and government expenditure in Nigeria: Issues and challenges. *Journal of African Public Finance*, 5(3), 58–73.
- Uket, I. A., Wasiu, A. D., & Etim, J. O. (2020). Reforming the Federal Inland Revenue Service for better tax administration in Nigeria. *Journal of Nigerian Tax Reform*, 6(2), 24–39.