Effect of Tax Revenue on Economic Growth in Nigeria

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ABSTRACT

The aim of this study is to examine Effect of tax revenue on economic growth in Nigeria. The objectives of the study include; to examine the effect of petroleum profit tax on the gross domestic product of Nigeria; to investigate the effect of company income tax on the gross domestic product of Nigeria and to ascertain the effect of customs and excise duties on the gross domestic product of Nigeria. The study used secondary sources of data gotten from CBN Statistical bulletin and relevant government publications. The research design used for the study was ex - post facto research design. Ordinary Least Square Regressions were used to test the Hypotheses. The study found out that petroleum profit tax does not have significant effect on the gross domestic product of Nigeria; company income tax does not have significant effect on the gross domestic product of Nigeria and customs and excise duties do not have significant effect on the gross domestic product of Nigeria. The study recommended that given the dwindling fortunes of revenue from petroleum related sources, of recent, and the seeming bleak future of oil worldwide, Government should embark on the strategic pursuit of broadening the economy to enhance economic growth and development; Government should work at making the economic environment more conducive for businesses to thrive, as companies income tax could be a veritable complement or even replacement for the PPT.

Keywords: Revenue, Economic Growth, Ordinary Least Square Regressions

INTRODUCTION

Taxation according to [1], is the collection of a share of individual and organization income and wealth by the government under the authority of the law. The Nigerian tax System has undergone significant changes in recent times. The Tax Laws are being reviewed with the aim of repelling obsolete provisions and simplifying the main ones. Under current Nigerian law, tax revenue is enforced by the 3 tiers of Government, which are Federal, State, and

The whole essence of tax revenue is to generate revenue to advance the welfare of the people of a nation with focus on promoting economic growth and development of a country through the provision of basic amenities for improved public services via proper administrative system, and structures [2]. Tax revenue plays a crucial role in promoting economic activity growth and development. Through tax revenue government ensures that resources are channeled towards important projects in the society, while giving succor to the weak. The role of tax revenue in promoting economic activity and growth may not be felt if poorly administered. This calls for a need for proper examination of the relationship between revenue generated from taxes and the economy, to enable proper policy formulation and strategy towards its efficiency. According to [3], the Nigerian economy has remained in a deep slumber with macroeconomic indicators reflecting an economy in dire need of rejuvenation, revival and indeed radical reform. Also in the view of [4], tax administration needs to be revamped and refunds of taxes as well as duty drawbacks administration are inefficient.

A critical challenge before tax administration in the 21st century Nigeria is to advance the frontiers of professionalism, accountability and awareness of the general public on the imperatives and benefits of tax revenue in our personal and business lives which include: promoting economic activity; facilitating savings and investment; and generating strategic competitive advantage. If tax administration does not for any reason meet the above challenges, then there is a desperate need for reform in the area of the regime, and in the administration of taxes.

A country’s tax system is a major determinant of other macroeconomic indexes, specifically, for both developed and developing economies; there exists a relationship between tax structure and the level of economic growth and development. Indeed, it has been argued that the level of economic growth has a very strong impact on a country’s tax
base and tax policy objectives vary with the stages of development. Similarly, the economic
criteria by which a tax structure is to be judged and the relative importance of each tax
source vary over time [4]. For example, during colonial era and immediately after the
Nigeria’s political independence in 1960, the sole objective of tax revenue was to raise
revenue. Later on, emphasis shifted to the infant industries protection and income
redistribution objectives. In his discussion of the relationship between tax structure and
economic development, [6] divided the period of economic development into two, the early
period when an economy is relatively underdeveloped and the later period when the
economy is developed. During the early period, there is limited scope for the use of direct
taxes because the majority of the populace resides in the rural areas and is engaged in
subsistence agriculture. Because their incomes are difficult to estimate, tax assessment at
this stage is based on presumption prone to wide margins or error.

Tax revenue is a powerful tool of economic reform and a major player in every economy of
the world. It is never static but dynamic and should reflect current realities prevailing in
the economy. The tax system is an opportunity for government to collect additional
revenue besides other sources of income, which is needed in discharging its obligations. A
good system of tax also offers itself as one of the most effective means of mobilizing a
nation’s internal resources and it leads itself to creating enabling and conductive
environment to the promotion of economic growth and development [7].

Tax revenue mobilization as a source for financing development activities in Nigeria has
been a difficult issue primarily because of various forms of resistance, such as evasion,
avoidance and corrupt practices. These activities are considered as sabotaging the
economy and are readily presented as reasons for the underdevelopment of the country [8].

Government exists in order to effectively collect taxes from available economic resources
and make use of same to create economic prosperity such that available and willing human
and other resources are gainfully employed, infrastructures provided, essential public
services (such as the maintenance of law and order) are put in place etc. Tax resistance
only makes the development process unattainable. It could be deducted that changing or fine-tuning tax rates is used to influence or achieve macroeconomic stability. Some of the most recently cited examples are the government of Canada, United States, Netherland, United Kingdom, who derive substantial revenue from company income tax, Value Added Tax, Import Duties and have used same to create prosperity [9]. Thus it can be said that the economic development of a country depends on various reasons one of which is the presence of an effective and efficient tax revenue policy. In Nigeria the contribution of tax revenue has not met the expectations of Government. Government has equally expressed this disappointment and has accordingly vowed to expand the non-oil tax revenue. It is in the light of the foregoing that this study examines tax revenue and economic growth in Nigeria.

Statement of the Problem

There is a general lack of consensus among scholars on the contribution of tax revenue to the economic growth of nations. For instance, whereas [9] in his study on productivity of the Nigerian tax system documented a satisfactory level of productivity of the tax system before the oil boom, [6] established that the role of tax revenue in promoting economic activities and growth is not felt in Nigeria. The two studies reflect that the oil boom has not improved the economic state of the country since before the boom, there was a level satisfactory and after the boom, the growth of economic activities deteriorated. The emergence of oil as a major tax revenue is one of the means a country’s government devises in solving the economic problems of the country and to enhance government expenditure which is expected to be beneficial to the citizens of such country through the provision of social and economic infrastructures [8]. In Nigeria, this has not been the case because despite the tax revenue and expenditure reported year in year out by the government, the physical state of the nation in terms of infrastructure and social amenities is backward. This is evident in the lack of electricity supply, portable drinking water, basic health care delivery, bad roads, just to mention but a few.
The gap in terms of the period covered is also a contributory factor to the disparity in the outcomes of relationship between tax revenue and economy growth. The advent of the oil boom encouraged some laxity in the management of non-oil revenue resources like the company income tax and custom and excise duties. This calls for an urgent need in the improvement of the tax system to enhance the evaluation of the performance and facilitate adequate macroeconomic planning and implementation.

**Objectives of the Study**

The broad objective of this study is to appraise tax revenue and economic growth in Nigeria.

The specific objectives include:

- To examine the effect of petroleum profit tax on the gross domestic product of Nigeria.
- To investigate the effect of company income tax on the gross domestic product of Nigeria.
- To ascertain the effect of customs and excise duties on the gross domestic product of Nigeria.

**Research Questions**

The study would examine the following questions:

- What is the effect of Petroleum profit tax on the gross domestic product of Nigeria?
- What is the effect of company income tax on the gross domestic product of Nigeria?
- What is the effect of customs and excise duties on the gross domestic product of Nigeria?

**Research Hypotheses**

From the objectives of this study, the following hypotheses have been formulated:

- Petroleum profit tax does not have significant effect on the gross domestic product of Nigeria.
- Company income tax does not have significant effect on the gross domestic product of Nigeria.
- Customs and excise duties do not have significant effect on the gross domestic product of Nigeria.

**Significance of the Study**

Tax revenue is one of the sources of revenue to the government. This can be used to achieve economic growth, maintain equilibrium in the economy by combating elements of depression, inflation or deflation, achieve equity in income and wealth distribution and address issues of poverty and promote socioeconomic development, hence the need to find out the extent tax revenue impacts on Nigeria’s economic growth.

The research findings would be of importance to policy makers at national level as they designed policies aimed at enhancing economic growth and development through a better tax revenue system. Policy makers especially the Federal Inland Revenue Service will use the outcome of the study to gauge its performance and determine the level of input it would have to make to impact positively to the Nigerian economy.

Students, academicians and other scholars who wish to undertake further research on taxation will find the literature arising from this study to be of great value as it will be added to the existing literature.

**Scope of the Study**

The scope of this study covers tax revenue and economic growth in Nigeria over a period of 14 years (from 2000-2014). The trend of company income tax, petroleum profit tax, customs and excise duty and value added tax are examined for the period to determine their correlation with Nigerian economy which will be captured as Gross Domestic Product (GDP). The focus will be based on data obtained at the Federal Inland revenue service (FIRS).
RESEARCH METHODOLOGY

Research Design
The researcher adopted *ex-post facto*. The reason for the adoption of this design is because the research relied on already recorded events, and researchers do not have control over the relevant dependent and independent variables they are studying with a view to manipulating them [10].

Sources of Data
This study is a secondary research, as such; secondary sources of data were utilized to carry out this research. The main sources of data include: Central Bank of Nigeria (CBN) Statistical Bulletin and Nigerian Economic Statistics.  

Population of the Study
The population of study consists of all the sectors of Nigerian economy.  

Sample Size
The sample size of the study consisted of the selected economic variables that were used to proxy tax revenue which includes; petroleum profit tax, company income tax, custom and excise duties and value added tax.

Model Specification
A multiple regression model were used to test the effect of the selected macroeconomic variables (independent variables) on Nigerian economic growth (dependent variable). Thus, the model is represented as;

\[ \text{GDP} = F (\text{PPT}, \text{CIT}, \text{CED}) \]  

(1)

Where:

- GDP = Gross Domestic Product (it is used as a proxy for economic growth)
- PPT = Petroleum Profit Tax
- CIT = Company Income Tax
- CED = Custom and Excise Duties

In a linear regression form, it will become:
RGDP = β₀ + β₁PPT + β₂CIT + β₃CED + μ .............................. (2)

β₀ = Constant Term

β₁ = Coefficient of PPT

β₂ = Coefficient of CIT

β₃ = Coefficient of CED

μ = Error Term

**Description of the Research Variables**

**Dependent Variable**

**Gross Domestic Product:** Gross domestic product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period.

**Independent Variables**

**Petroleum Profit Tax:** Petroleum Profit Tax is a major source of revenue for the Federal Government of Nigeria to meet its statutory obligations of ensuring the economic development of Nigeria.

**Company Income Tax:** An assessment levied by a government on the profits of a company.

**Custom and Excise Duties:** Custom and Excise Duties is an inland tax on the sale, or production for sale, of specific goods or a tax on a good produced for sale, or sold, within a country or licenses for specific activities.

**Analytical Technique**

The analytical tool for this study is unit root test and descriptive statistics. In order to achieve the objective of this study, data will be analyzed using unit root test; co-integration; vector autoregressive mechanism with the help of Statistical Package for Social Sciences econometric package. It also need to be stated that economic growth of Nigerian is influenced by so many variables but those used in this model will be important macroeconomic variables considered relevant for the study.
PRESENTATION AND ANALYSIS OF DATA

Data Presentation

This chapter comprises of the data presentation, estimation and results of the empirical investigation carried out. It also addresses the relationship between contributory pension scheme and economic growth.

Table 1: Data showing GDP, PPT, CIT and CED

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP (N’000000)</th>
<th>PPT (N’000000)</th>
<th>CIT (N’000000)</th>
<th>CED (N’000000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>688137</td>
<td>51477</td>
<td>9554</td>
<td>15485</td>
</tr>
<tr>
<td>2001</td>
<td>964005</td>
<td>59208</td>
<td>12275</td>
<td>18295</td>
</tr>
<tr>
<td>2002</td>
<td>1934831</td>
<td>42803</td>
<td>21878</td>
<td>37364</td>
</tr>
<tr>
<td>2003</td>
<td>2703809</td>
<td>42858</td>
<td>22000</td>
<td>55000</td>
</tr>
<tr>
<td>2004</td>
<td>2801973</td>
<td>76667</td>
<td>26000</td>
<td>63000</td>
</tr>
<tr>
<td>2005</td>
<td>2721179</td>
<td>68574</td>
<td>33300</td>
<td>57700</td>
</tr>
<tr>
<td>2006</td>
<td>3313563</td>
<td>68000</td>
<td>46200</td>
<td>87900</td>
</tr>
<tr>
<td>2007</td>
<td>4727522</td>
<td>164300</td>
<td>51100</td>
<td>101500</td>
</tr>
<tr>
<td>2008</td>
<td>5374399</td>
<td>525100</td>
<td>68700</td>
<td>170600</td>
</tr>
<tr>
<td>2009</td>
<td>6232244</td>
<td>392200</td>
<td>89100</td>
<td>181400</td>
</tr>
<tr>
<td>2010</td>
<td>6061700</td>
<td>683500</td>
<td>114800</td>
<td>195500</td>
</tr>
<tr>
<td>2011</td>
<td>11411067</td>
<td>1183600</td>
<td>113000</td>
<td>217200</td>
</tr>
<tr>
<td>2012</td>
<td>15610882</td>
<td>1904900</td>
<td>140300</td>
<td>23280</td>
</tr>
<tr>
<td>2013</td>
<td>18564595</td>
<td>2038300</td>
<td>244900</td>
<td>177700</td>
</tr>
<tr>
<td>2014</td>
<td>23280715</td>
<td>1600600</td>
<td>275300</td>
<td>241400</td>
</tr>
</tbody>
</table>

Source: CBN Statistical Bulletin

Table 1 above shows the data that were used in the analysis in this study.
Table 2: Data showing the variables in log form

<table>
<thead>
<tr>
<th>YR</th>
<th>LGDP</th>
<th>LPPT</th>
<th>LCIT</th>
<th>LCED</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>15.01353</td>
<td>11.12726</td>
<td>10.74074</td>
<td>11.38396</td>
</tr>
<tr>
<td>2007</td>
<td>15.36891</td>
<td>12.00945</td>
<td>10.84154</td>
<td>11.52781</td>
</tr>
<tr>
<td>2008</td>
<td>15.49716</td>
<td>13.17134</td>
<td>11.13750</td>
<td>12.04708</td>
</tr>
<tr>
<td>2009</td>
<td>15.64525</td>
<td>12.87953</td>
<td>11.39751</td>
<td>12.10846</td>
</tr>
<tr>
<td>2010</td>
<td>15.61750</td>
<td>13.43498</td>
<td>11.65095</td>
<td>12.18332</td>
</tr>
</tbody>
</table>

Table 2 above shows the data in log form. The essence of log in data is to improve the result of the analysis.
### Normality Test

**Table 3: Descriptive Analysis**

<table>
<thead>
<tr>
<th></th>
<th>LGDP</th>
<th>LPPT</th>
<th>LCIT</th>
<th>LCED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>15.32164</td>
<td>12.36205</td>
<td>10.88936</td>
<td>11.26640</td>
</tr>
<tr>
<td>Median</td>
<td>15.36891</td>
<td>12.00945</td>
<td>10.84154</td>
<td>11.38396</td>
</tr>
<tr>
<td>Maximum</td>
<td>16.96314</td>
<td>14.52763</td>
<td>12.52562</td>
<td>12.39421</td>
</tr>
<tr>
<td>Std. Dev.</td>
<td>1.027990</td>
<td>1.507792</td>
<td>1.031124</td>
<td>0.934837</td>
</tr>
<tr>
<td>Skewness</td>
<td>-0.087330</td>
<td>0.252258</td>
<td>-0.031511</td>
<td>-0.420159</td>
</tr>
<tr>
<td>Kurtosis</td>
<td>2.280155</td>
<td>1.411765</td>
<td>1.979335</td>
<td>1.857424</td>
</tr>
<tr>
<td>Jarque-Bera</td>
<td>0.342927</td>
<td>1.735641</td>
<td>0.653580</td>
<td>1.257258</td>
</tr>
<tr>
<td>Probability</td>
<td>0.842431</td>
<td>0.419866</td>
<td>0.721235</td>
<td>0.533322</td>
</tr>
<tr>
<td>Sum</td>
<td>229.8245</td>
<td>185.4307</td>
<td>163.3404</td>
<td>168.9961</td>
</tr>
<tr>
<td>Observations</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
</tr>
</tbody>
</table>

The study conducted the descriptive statistics of the relevant variables involved. Table 3 illustrates vividly these statistics. It shows total number of observations, mean, median, maximum, minimum, standard deviation, skewness, kurtosis and Jarque-Bera. The dependent variables which is gross domestic product shows the minimum of 16.96314 which was observed in 2000 and shows the maximum of 16.96314 which was observed in 2014. The mean value of the dependent variables is 15.32164 and the standard deviation is 1.027990. This implies that there was high fluctuation in gross domestic product for the
years. It can be observed from Table 4.2 that all the variables have positive average values (means). The minimal deviation of the variables from their means as shown by the standard deviation gives indication of growth rate (fluctuation) of these variables over the period. It can be observed also that all the variables show signs of negative skewness except for petroleum profit tax which showed positive response.

Table 4  Regression Analysis

<table>
<thead>
<tr>
<th>Dependent Variable: LGDP</th>
<th>Method: Least Squares</th>
<th>Date: 10/25/17</th>
<th>Time: 02:03</th>
<th>Sample: 2000 2014</th>
<th>Included observations: 15</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>5.009859</td>
<td>0.771254</td>
<td>6.495732</td>
<td>0.0000</td>
</tr>
<tr>
<td>LPPT</td>
<td>-0.039789</td>
<td>0.122129</td>
<td>-0.325792</td>
<td>0.7507</td>
</tr>
<tr>
<td>LCIT</td>
<td>1.101415</td>
<td>0.218404</td>
<td>5.043005</td>
<td>0.0004</td>
</tr>
<tr>
<td>LCED</td>
<td>-0.105629</td>
<td>0.111730</td>
<td>-0.945388</td>
<td>0.3648</td>
</tr>
</tbody>
</table>

R-squared          0.959941  Mean dependent var 15.32164
Adjusted R-squared 0.949016  S.D. dependent var 1.027990
S.E. of regression  0.232116  Akaike info criterion 0.140021
Sum squared resid   0.592657  Schwarz criterion 0.328834
Log likelihood      2.949843  Hannan-Quinn criter. 0.138010
F-statistic         87.86555  Durbin-Watson stat 1.736002
Prob(F-statistic)   0.000000  

Source: Author’s E-View 9.0 Output, 2017

From the above regression analysis, the $R^2$ is 0.959941 which is about 96%. The $R^2$ is used to explain the goodness of fit. Therefore, since it is about 95%, it implies that about 95% change in LGDP is explained by the independent variables and the higher the $R^2$ the better the independent variables. Also the adjusted $R^2$ which is 0.949016 is about 95%. It shows there is 5% cause in variation changes of the independent variables. It also allows other variables to be added. Since the $F$-statistics is 87.86555 which is greater than 2.5 and the probability value is 0.00000 is<0.05. This shows that the model is significant and has a high goodness of fit. The Durbin-Watson statistics which equals about 2 shows no sign of auto-correlation.
Correlation Analysis

Correlation is a statistical tool that tests for the degree of linear association between a variable and another.

Table 5: Correlation analysis of the variables

<table>
<thead>
<tr>
<th>Covariance Analysis: Ordinary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date: 10/25/17  Time: 01:49</td>
</tr>
<tr>
<td>Sample: 2000 2014</td>
</tr>
<tr>
<td>Included observations: 15</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Correlation t-Statistic Probability</th>
<th>LGDP</th>
<th>LPPT</th>
<th>LCIT</th>
<th>LCED</th>
</tr>
</thead>
<tbody>
<tr>
<td>LGDP</td>
<td>1.00 0000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LPPT</td>
<td>0.909753</td>
<td>1.00 0000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LCIT</td>
<td>0.978091</td>
<td>0.928224</td>
<td>1.00 0000</td>
<td></td>
</tr>
<tr>
<td>LCED</td>
<td>0.703054</td>
<td>0.597180</td>
<td>0.754872</td>
<td>1.00 0000</td>
</tr>
</tbody>
</table>

Source: Author’s Compilation from E-views 9, 2017

Table 5 above shows a positive and significant among all the variables used in this study. This is due to the fact that all their t-statistics values are greater than 2.5 and their probability values are less than 5%.

TEST OF HYPOTHESES

Step 1: Re-statement of the hypothesis in the null and alternate forms

Step 2: Statement of decision criteria

Step 3: Presentation of test result

Step 4: Decision
Hypothesis one

Step 1: Restatement of the hypothesis.

H₀: Petroleum profit tax does not have significant effect on the gross domestic product of Nigeria.

H₁: Petroleum profit tax has significant effect on the gross domestic product of Nigeria.

Step 2: Statement of Decision Criteria

Accept H₀ if the sign of the coefficient is negative, the t-statistics is <2 and the probability of the t-statistics is >0.10.

Table 6: Presentation of test result

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
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S.E. of regression 0.232116 Akaike info criterion 0.140021
Sum squared resid 0.592657 Schwarz criterion 0.328834
Log likelihood 2.949843 Hannan-Quinn criter. 0.138010
F-statistic 87.86555 Durbin-Watson stat 1.736002
Prob(F-statistic) 0.000000

Source: Author’s E-View 9.0 Output, 2017

Table 7: Decision

Given the decision criteria to accept H₀ if the sign of the coefficient is negative the t-statistics is <2 and the probability of the t-statistics is >0.10. Table 4.4.1 shows the sign of the coefficient of the log of petroleum profit tax as negative which -0.039789, the t-statistics of -0.325792<2 with a probability of the t-statistics of 0.7507>0.05. Given the negative sign of the coefficient, we accept the null hypothesis (H₀) and conclude that
petroleum profit tax does not have significant effect on the gross domestic product of Nigeria.

**Hypothesis Two**

Step 1: Restatement of the hypothesis.

$H_0$: Company income tax does not have significant effect on the gross domestic product of Nigeria.

$H_1$: Company income tax has significant effect on the gross domestic product of Nigeria.

**Step 2: Statement of Decision Criteria**

Accept $H_0$ if the sign of the coefficient is negative, the t-statistics is $<2$ and the probability of the t-statistics is $>0.10$.

**Step 3: Presentation of test result**

<table>
<thead>
<tr>
<th>F-statistic</th>
<th>87.865</th>
<th>Durbin-Watson</th>
<th>1.7360</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prob(F-statistic)</td>
<td>0.0000</td>
<td>00</td>
<td></td>
</tr>
</tbody>
</table>
Step 3: Presentation of test result

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>5.009859</td>
<td>0.771254</td>
<td>6.495732</td>
<td>0.0000</td>
</tr>
<tr>
<td>LPPT</td>
<td>-0.039789</td>
<td>0.122129</td>
<td>-0.325792</td>
<td>0.7507</td>
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<tr>
<td>LCIT</td>
<td>1.101415</td>
<td>0.218404</td>
<td>5.043005</td>
<td>0.0004</td>
</tr>
<tr>
<td>LCED</td>
<td>-0.105629</td>
<td>0.111730</td>
<td>-0.945388</td>
<td>0.3648</td>
</tr>
</tbody>
</table>

R-squared: 0.959941  Mean dependent var: 15.32164
Adjusted R-squared: 0.949016  S.D. dependent var: 1.027990
S.E. of regression: 0.232116  Akaike info criterion: 0.140021
Sum squared resid: 0.592657  Schwarz criterion: 0.328834
Log likelihood: 2.949843  Hannan-Quinn criter.: 0.138010
F-statistic: 87.86555  Durbin-Watson stat: 1.736002
Prob(F-statistic): 0.000000

Source: Author’s E-View 9.0 Output, 2017

Step 4: Decision

Given the decision criteria to accept $H_0$ if the sign of the coefficient is negative the t-statistics is <2 and the probability of the t-statistics is >0.10. Table 4.4.1 shows the sign of the coefficient of the log of company income tax as positive which is 1.101415, the t-statistics of 5.043005>2 with a probability of the t-statistics of 0.0004<0.05. Given the positive sign of the coefficient, we reject the null hypothesis ($H_0$) and conclude that company income tax does not have significant effect on the gross domestic product of Nigeria.

Hypothesis Three

Step 1: Restatement of the hypothesis.

$H_0$: Customs and excise duties do not have significant effect on the gross domestic product of Nigeria.

$H_1$: Customs and excise duties have significant effect on the gross domestic product of Nigeria.
Step 2: Statement of Decision Criteria

Accept $H_0$ if the sign of the coefficient is negative, the t-statistics is $<2$ and the probability of the t-statistics is $>0.10$.

Step 3: Presentation of test result

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
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Sum squared resid 0.592657  Schwarz criterion 0.328834
Log likelihood 2.949843  Hannan-Quinn criterion 0.138010
F-statistic 87.86555  Durbin-Watson stat 1.736002
Prob(F-statistic) 0.000000

Source: Author’s E-View 9.0 Output, 2017

Step 4: Decision

Given the decision criteria to accept $H_0$ if the sign of the coefficient is negative the t-statistics is $<2$ and the probability of the t-statistics is $>0.10$. Table 4.4.1 shows the sign of the coefficient of the log of custom and excise duties as negative which is at -0.105629, the t-statistics of 0.111730$<2$ with a probability of the t-statistics of 0.00000$>0.05$. Given the negative sign of the coefficient, we accept the null hypothesis (H0) and conclude that Customs and excise duties do not have significant effect on the gross domestic product of Nigeria.

Summary of Findings

The following findings are made for this study:

- Petroleum profit tax does not have significant effect on the gross domestic product of Nigeria.
CONCLUSION

The study concluded that a positive and insignificant relationship exists amongst all the variables from the result of the correlation analysis. It was also concluded from the result of the descriptive statistics that all the variables except petroleum profit tax are negatively skewed while on the other hand all the variables have abnormal kurtosis as their kurtosis are less than 3 which is the value of a normal kurtosis. From the regression result, the study also concluded that a unit percent change in the independent variable will lead to about 96% change in the dependent variable. This conclusion was drawn due to the fact that the $R^2$ of the regression result is about 96%. This implies there is goodness of fit. The regression result also showed that the regression result is significant as the F-statistics which is 87.86555 is greater than 2.5 and its probability value being 0.000000 is less than 5%. Finally, the study also concluded that there is no auto correlation in the result of the regression as the Durbin-Watson Statistics is approximately equal to 2.

The result above showed a positive and significant among all the variables used in this study. This is due to the fact that all their t-statistics values are greater than 2.5 and their probability values are less than 5%.

From the findings of this study, it is concluded that petroleum profits tax does not have a significant positive relationship with grand and yet still have a long run relationship among themselves for the period covered in the study.

RECOMMENDATIONS

The following recommendations are made for this study:

- Given the dwindling fortunes of revenue from petroleum related sources, of recent, and the seeming bleak future of oil worldwide, Government should embark on the
strategic pursuit of broadening the economy to enhance economic growth and development;

- Government should work at making the economic environment more conducive for businesses to thrive, as companies income tax could be a veritable complement or even replacement for the PPT.
- The petroleum sector in Nigeria should be well coordinated and encouraged to grow so that more revenue should accrue to it. It is hoped that increased income through petroleum will enhance tax payment from that sector.

REFERENCES