INTERNATIONAL REVIEW OF FINANCIAL STUDIES | IROFS
Vol 1, Issue 2;December, 2024 / visit: https://journals.unizik.edu.ng/irofs

ATTAINING SUSTAINABLE DEVELOPMENT IN NIGERIA: THE TAXATION EFFECTS

Chekwube E. Ochuka [1] Nonye J. Ezenwafor[2]
[1&2]*Department of Accountancy, Nnamdi Azikiwe University Awka, Anambra State, Nigeria.*
Email: ec.ochuka@unizik.edu.ng[1], nj.ezenwafor@unizik.edu.ng[2]

All correspondence to: ec.ochuka@unizik.edu.ng

ABSTRACT
The aim of every government is to provide basic social amenities to its citizens and improve the standard of living of these citizens thereby leading to sustainable development. However, these cannot be achieved without adequate funding. In this regard coupled with declining oil price globally, attention of the government has been drawn to internally generated revenue. This study examined the effect of taxation on sustainable development in Nigeria. Specifically, the study ascertained how Petroleum Profit Tax, Company Income Tax, Value Added Tax, and Customs and excise duty as proxies for taxation affects Nigeria Human Development Index as proxy for Sustainable Development in Nigeria. Time series data for 24 years spanning from 2000 to 2023 were sourced from secondary sources including FIRS annual reports, CBN bulletin Word Bank Reports, and National bureau of statistics (NBS) reports. The study adopted ex-post facto research design, and the formulated hypotheses were tested using ordinary least square regression (OLS) at 5%. The results of the analysis revealed that all the variables have a joint significant influence on the Nigeria Human Development Index at 5% significant level. While specifically, Petroleum Profit Tax has a negative but non-significant effect on human development index of Nigeria with a p-value of 0.1191, Company Income Tax has a positive and significant effect on human development index of Nigeria with a p-value of 0.0041, Value Added Tax has a positive and significant effect on human development index of Nigeria with a p-value of 0.0000 while Customs and Excise Duties showed both a negative and non-significant effect on human development index of Nigeria with a p-value of 0.0711. The study therefore recommends amongst others that government through The Ministry of Finance and the Nigerian National Petroleum Corporation (NNPC) should prioritize the transparent and efficient allocation of petroleum revenues to critical sectors such as healthcare, education, and infrastructure, ensuring that oil revenues translate into tangible human development benefits. Also the Federal Inland Revenue Service (FIRS) should continue to strengthen corporate tax collection mechanisms while ensuring that revenues are directed towards development projects that enhance public services and infrastructure, further improving human development outcomes.

Key words: *Company Income Tax, Custom and Excise duty, Petroleum Profit Tax, Sustainable development, Taxation, Value Added Tax,*

CITE AS: Ochuka, C.E. & Ezenwafor, N.J. (2024). Attaining sustainable development in Nigeria: the taxation effects, *International Review of Financial Studies*, 1(2), 93 - 117. Available: https://journals.unizik.edu.ng/irofs

1. INTRODUCTION

Taxation is an avenue for the government to generate additional revenue besides other sources of income that is necessary for discharging its responsibilities. It serves as one of the most effective means of mobilizing a nations internal resources and also to creating an enabling and conducive environment for growth and development (Ogbonna, 2011). Hence the importance of taxation towards attaining and maintaining sustainable development by the government of any nation cannot be underrated because in as much as it serves as a means to revenue, it also aids government in achieving both fiscal policy and monetary macroeconomics goals of the country, (Onakoya & Afintinni, 2016). According to Nwoye, and Akan (2023), fiscal policy entails government's use of its spending and taxation to influence the economy, thus promoting a strong and sustainable growth and development. Sustainable development in one hand hangs on the footnote that strives to ending poverty, other deprivations and also involves strategies that improves health, education, reduce inequality and spur economic growth. These are only achievable when enough revenue has been generated and properly managed by the government.

Historically, taxation in Nigeria gained prominence after the passage of Native Revenue Ordinance of 1917 and the introduction of personal income tax in northern Nigeria before the amalgamation. The Native Direct Taxation Ordinance of 1937, the Colony Taxation Ordinance of 1937, the Income Tax Ordinance of 1943, Income Tax Administration Ordinance of 1958, Companies Income Tax Act of 1979, Finance Miscellaneous Taxation Provision Decree of 1985 and the Personal Income Tax Decree of 1993 among others all paved way for the contemporary tax system in Nigeria (Momoh, 2018). Taxation have evolved since its inception with myriad of challenges which have to an extent hampered its effectiveness some of which are; weak and under staffed tax institutions, obsolete tax laws, non-compliance from the informal sectors, tax evasion and avoidance which is as a result of inherent loopholes in tax laws, (Ogbonna & Appah, 2016).

Furthermore, a nation richly blessed by nature as Nigeria has a great deal of potential for attaining sustainable growth and economic transformation. However, the potential for tax revenue as key source of financing pivotal development initiatives has been neglected as a result of the enormous endowments in natural resources, particularly with regard to oil and gas resources (Olushola, Beyai & Anagbado, 2023). The country's heavy reliance on oil revenue as major source of government revenue since the oil boom of 1970's coupled with volatility of oil price amongst others such as a weak institutional framework for tax

administration, a high rate of tax evasion etc, have impaired government revenue and have exposed the Nigerian economy to vulnerabilities that pose serious challenge to its sustainability. Thus, linking taxation to sustainable development is highly germane because taxation is the most common fiscal policy parameter that influences government revenue and expenditure to achieve developmental goals and invariably attain sustainable development, Ajeigbe et al, (2023)

Over the years, there have been an increase in research around taxation and majority of them has shown that revenue generated from taxation in Nigeria have been on the low side, this coupled with mismanagement of national resources by the political leaders have led to poor infrastructural development (Adekanmbi, Shallie & Olaniyi, 2022). Hence the citizens don't feel the positive impact of their taxes and as such don't see the need to perform their civic duties leading to tax evasion and avoidance. Existing literatures around this subject have presented varying opinion giving rise to the need to further investigate the relationship between taxation and sustainable development and so in view of confirming the stands of previous studies: Ogbonna and Appah (2012), Nworgu, Herbert and Oyilo (2016); Herbert, Nwaorgu and Nwabueze (2018); Udezo and Onuora (2021) revealing a posisitive relationship between taxation and economic growth or negating the opinion of Bonu and Pedro (2009); Eluwa and Aminu (2016); Nnubia et al (2020) which showed a no impact or negative relationship.

Given the conflicting stands presented by previous studies which have all proxied economic growth and sustainable development with GDP, it is pertinent to further investigate the nexus between taxation and sustainable development with human development index (HDI) as a proxy for sustainable development. Human Development Index (HDI) goes beyond economic growth, to include broader indicators of progress and quality of life while also ensuring the sustainability of development efforts for future generation. The scope of this study covers 24year period (2000- 2023), the period choice was influenced by availability and accessibility of data. The data utilized in this study are secondarily sourced from the CBN bulletin, NBS, FIRS and World Bank annual reports.

1.1 Objectives

The broad objective of this study therefore to critically examine the effect of taxation on sustainable development of Nigeria and specifically to;

1. ascertain the effect of petroleum profit tax on human development index in Nigeria.
2. determine the effect of company income tax on human development index in Nigeria.
3. ascertain the effect of value added tax (VAT) on human development index in Nigeria.
4. ascertain how custom and excise duties affects human development index in Nigeria.

1.2 Hypotheses

H_{o1}: Petroleum profit tax has no significant effect on human development index in Nigeria

H_{o2}: Company income tax has no significant effect on human development index in Nigeria

H_{o3}: Value added tax has no significant effect on human development index in Nigeria.

H_{o4}: Custom and excise duties do not significantly affect human development index in Nigeria.

2. LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Taxation

Taxation refers to a compulsory levy collected through a levying authority, usually government. According to Chijioke et al (2018) taxation is an obligatory levy by the government collected through agency from its subjects. These levies are from non-public income which includes; salaries, commercial enterprise profits, interest, dividends, reduction and royalties. It is also levied on company's profits, petroleum profits, capital profits and capital transfer, Uzochukwu, Amahi, & Ugbah, (2022). No doubts taxation is an important source of revenue for financing government activities, sadly revenue from taxation have remained low and it accounts for about 6% of Nigeria GDP, (OECD, 2021). Nigeria being a federalist country with three tiers of governments (federal, state, and local governments) have the administration of its taxes vested in these tiers of government each charged with the responsibility of identifying taxable individuals, corporations, and properties; assessing the taxes that need to be levied; collecting and remitting same to the governments accordingly (Ganyam, Ivungu & Anongo, 2019). Taxation in this study were represented by prominent

federally collected taxes namely; Petroleum Profit Tax, Company Income tax, Value Added Tax and Custom and Excise duties.

2.1.1.1 Petroleum Profit Tax

Petroleum Profit tax is a tax levied on the profits of companies engaged in petroleum operations and is supported by Petroleum Profit Tax Act 1959, first amended in January 1967 by the Federal Military Government through decree No 1 of 1967, subsequent amendment was in 2007, thus Petroleum Profits Tax Act 2007. Section 2 defined Petroleum operations as the winning or obtaining and transportation of petroleum and chargeable oil in Nigeria by/or on behalf of a company for its own account by drilling, mining, extraction or other like process not including refining at a refinery. Petroleum profit tax can be viewed as tax applicable to upstream operations in the oil industry and so, it is specifically associated with rents, royalties, margins and profit sharing elements related to oil mining, prospecting and exploration contract agreement, (Odusola, 2006). According to (Alhassan, Musa & Mahmud 2020), Petroleum profit tax is assessed and payable upon the chargeable profits of each accounting period (usually 12 months) of any company involved in the operations in petroleum industry during this period, The profits of a company in relation to the accounting period is the aggregate of: (i) the incomes from chargeable oil sold; (ii) the value of all chargeable oil disposed;(iii) the value of all chargeable natural gas disposed; and (iv) all miscellaneous income incidental to and arising from its petroleum operations. Petroleum profit tax is a type of pre-paid tax which annual tax return forms are prepared and submitted to tax authorities, within five months of the end of each assessment year of operation, on acceptance of the assessment by the tax authorities, payment is then made mainly in 2 segments of 12-13 phases. The first segment is the estimated annual return paid not later than February of each year. The tax due is then paid in 12months installments throughout the year, were the tax payable exceeds the estimated, the company shall be made to pay the shortfall not later than 21 days from the service of the notice of assessment where the reverse is the case, the company gets a refund.

Ilaboya and Ofiafor, (2014), explained that Petroleum Profits tax is chargeable at the rate of 67.5% for the first five years of taxable operation and 85% subsequently, but where a company is in a production sharing contract then the rate will 50%. This rate however, have varied over time, as at 1970 it was as low as 18.9% and between 1971 and 1974 it rose to 80.7%, the rate further increased to 82.3% between 1975 to 1989 and finally remained 85% from 1990 till presently, (Ilaboya et al 2014). However, since Nigeria discovered oil in

commercial quantity, Petroleum profit tax has been one of the taxes with great importance in Nigeria in terms of its contribution to the total government revenue and foreign exchange earnings, which stood at 70% and 95% respectively (Onaolapo, Fasina & Adegbite, 2013). Petroleum profit tax therefore includes levying and collecting of tax on the incomes accruing from petroleum operations, (Alhassan, Musa & Mahmud 2020). In Nigeria the body saddled with responsibility for the management and supervision of PPTA is the Federal Board of Inland Revenue (Ofe, Onyemachi & Caroline, 2008) with the Federal Inland Revenue Services (FIRS) as the operational arm, having been conferred with authority to assess, collect and account for all taxes from corporate entities on. Where a company is engaged in production and marketing of petroleum product, the profit from its marketing operations will be taxable under Company Income Tax.

2.1.1.2 Company Income Tax

Company Income Tax is a tax imposed on profit of a company incorporated in Nigeria whether resident or non-resident company at a rate of 30%. Company income tax is paid by limited liability companies as well as public companies thus; it is also referred to as corporate tax, (Nnubia et al 2020). It is assessed on a preceding year basis and not actual year basis on chargeable profits of companies (excluding profit from companies engaged in petroleum operations) accruing in, derived from, brought into or received in Nigeria in respect of any trade or business, rent, premium, dividends, interest, loyalties and any other source, (Ogbonna & Appah, 2016).

Company income tax is an important tax in Nigeria; study conducted by (Yahaya & Bakare 2018), revealed that Company Income Tax serves as the source of huge revenue to the Nigeria and greatly contributes to the growth of Nigerian economy. The administrative responsibility of CIT rests on the shoulders of Federal Inland Revenue Services, with its legal backing drawn from Companies Income Tax Act (CITA), Cap C21, LFN 2004 (as amended). CITA policy regimes can be categorized into two; the pre-1992 regime with policies that were narrowly based, high tax rates and overburdening of the taxpayers, which induced negative effects on savings and investment, and the post-1992 regime which have witnessed measures put up to address structural problems (such as the elimination of excess profit), (Odusola, 2006). He also noted that the CIT applicable rate have varied over time, it fell from 45% during 1970 to 1986 (when SAP was introduced) to 40% between 1987 and 1991. It further reduced to 35% between 992-1995 and presently at 30% since 1996. The introduction of the Finance Act, 2020 amended numerous sections of CITA 2004, these sections includes; sections 11, 13, 14,

16, 23, 25, 27, 33, 39, 53, 55, 63, 68, 69, 77, 105, and second schedule. Although the Finance Act,2020 introduced some notable changes to the Companies Income Tax Act and other taxes in order to reform and align our domestic tax laws with global best practices, studies such as (Nwabachili 2020), have criticized Company Income Tax Act for contradicting provisions and its negative effects on investments in Nigeria.

2.1.1.3 Value Added Tax

Value Added Tax (VAT) is a form of indirect and/or consumption tax imposed on the absorption of value and is ultimately borne by the final consumer of the goods and services. VAT therefore, is a tax is imposed on any person or individual, corporate sole, and organizations that consumes or buys any vatable goods and services in Nigeria, Abomaye-Nimenibo, Michael & Friday, (2018). Value Added Tax was introduced in Nigeria in 1993 through VAT Decree 102 of 1993 now referred to as Value Added Tax Act (VATA) Cap V1 LFN 2004 and VAT amendment act 2007 which replaced the old sales tax. Federal Inland Revenue Services administers VAT in Nigeria. The passage and implementation of the Finance Act 2020 by the Buhari led administration in a quest to broaden revenue brought about notable changes to Nigerian taxes and VAT were not exempted. Below are some of the amendments by the 2020 Finance Act;

1. The VAT rate increased from 5% to 7.5% (representing 50% increase) on all vatable materials and business activities.
2. Improved the list of zero-rated goods to include; seasonings (honey), dough, mueslis, catering apply oil, gastronomic parsleys, fish, flour and thickener, and berries (fresh or dried), animal protein sources, milk, nuts, throbs, tubers, saline, spuds, H2O, domestically produced sterile bath sheets, swabs, or wipes, and services to include; services rendered by microfinance banks, training involving kindergarten, and other levels of schooling.
3. Businesses with turnover less than N25 million are now exempted from payment of VAT (section 38 of the Finance Act 2020).
4. Also the formula for sharing revenue accruing form VAT is 85% to the states and local governments, while the federal government has only a 15% share. From the 85% share,50% is allocated to the state and 35% to the local government. This will enable the state government to carry out their economic responsibilities and obligations such the minimum wage, (Omodero 2020).

5. The Act also clarifies that VAT record should be on a cash basis and no longer on an accrual basis (invoice based), as such taxpayer can only recover input VAT against output VAT that is collected.

Studies such as (Ikeokwu & Leyirah, 2019) revealed that Value Added Tax and Custom and Excise duties have materially positive impact on Nigeria's Per Capita Income (PCI), however on the contrary (Alaoye & Ayeni, 2018) had previously concluded that value-added tax and customs duties have no significant effect on revenue generated in Nigeria and that there is no long-run relationship among value-added tax, customs duties and revenue generated in Nigeria. More so, in an unindustrialized state such as Nigeria, it is important to recognize the fact that tax revenue is still highly undermined by the incidence of tax avoidance and evasion due to a high rate of underground and informal economic activities for which records are not kept, (Omodero 2020).

2.1.1.4 Custom and excise Duties

Custom duty is a levy imposed on goods exported or imported into the country. It is a form of indirect tax. The tax is statutorily backed by the Custom and Excise Management Act of 1958 as amended. Nigeria Custom Service is the agency charged with the responsibility of collecting custom duties, excise, fees, tariffs, and other levies so imposed by the Federal Government on imports, exports and statutory rates, (Abomaye-Nimenibo et al 2018). Custom Duties is therefore, the sum total of Import and Export duties collected by the Customs and Excise Department. Custom duty has remained a huge source of revenue prior and after the discovery of oil in Nigeria and have immensely contributed to national development thus, it is an essential component of the non-oil revenue. To this end, the Comptroller-General of Nigeria Custom Service, retired Col. Hameed Ali revealed that NCS in 2020 generated 1.5 trillion naira, while 1.02 trillion naira has been generated so far in first six months of 2021,(Vanguard Sept 1, 2021).Customs duties in Nigeria are the oldest form of modern taxation with its emergence in 1860 as import duties, which represents taxes on imports into Nigeria, charged either as a percentage of the value of imports or as a fixed amount of contingent on quantity, (Adegbie 2009).

Excise duty was introduced in 1962 as an ad valorem tax on the output of manufactured goods and it is legally backed by customs and excise Act of 1962 and 1965 and Customs and Excise Tariff Decree of 1995. Excise duty is administered by the Nigerian Custom Service (NCS). Excise duty is a form of indirect tax levied on locally manufactured goods such as;

bleaching creams, alcohol, spirits and tobacco etc It is used as a measure to discourage consumption of harmful goods, (Odusola 2006). The emergence of the Finance Act 2020 provided amendments to the Customs and Excise Tariff (Consolidation) Act, in order to encourage domestic industries, the rates were not only reduced from (30% and 35% to 5% and 10%) respectively, duties will now apply to excisable goods as specified in the fifth schedule of the Act such as cigarettes, wines, spirit, beer, and stout, among others, only when they are imported while domestically produced items are; tobacco, spirits, and alcohol. Other previously excisable products but now suspended include; perfumes, cosmetics, toilet papers, non-alcoholic beverages, telephone recharge vouchers, soaps and detergents, paper packaging, spaghetti, and noodles, among others, (Omodero 2020).

2.1.2 Sustainable Development in Nigeria

Sustainable development refers to an approach to growth and human development that aims to meet the needs of the present without compromising the ability of future generations to meet their own needs, (Mensah, 2019). Sustainable development principle first received attention of the global communities that were motivated to integrate economic development and social value with ecological concerns at the 1972 united nations conference on Human Environment that led to the United Nation Environment programme (United Nations 1972). Later in 1983 United Nations convened a body named World Commission on Environment and Development that produced a report known as 'Our Common Future' popularly called the Brundtland Report, (Adegboye & Tagem, 2023). The emergence of this report placed the concept of sustainable development on the international agenda and in 2015 the United Nations General Assembly (UNGA) adopted the sustainable goals for the year 2030 which aims to balance the needs of the economy, environment and social well-being. These development goals address the global challenges, such as; poverty, climate change, biodiversity loss among others, (UNGA, 2022). Currently, the Nigerian population is above 200 million people with a good number of the populace living in poverty with multidimensional Poverty Index of 33%, (UNDP, 2021) other tragedies facing the people include; low productivity, poor governance, inequalities, capital flight, increase in inflation, forcibly displaced persons due to security concerns in the north e.t.c. All these pose a serious challenge towards attainment of sustainable development in Nigeria, Adegboye & Tagem, (2023). In the light of the above it is therefore essential to explore how fiscal policy and vital institutions might engender sustainable development and alleviate the plight of a common man. Thus, an adequate financial channel (possibly taxation) is essential to attain the SDGs. In this study sustainable development was represented by Human Development Index. The

Human Development Index (HDI) reflects a country's Gross National Income (GNI) per capita, education and life expectancy.

2.2 Empirical review

Since sustainable development gained international attention there have been an increasing research interest by researchers in various discipline to unravel the concepts surrounding sustainable development. Adegboye and Tagem, (2023) who studied Tax and Sustainable development in 41 Sub-Saharan Africa using instrumental variable Tobit and quantile regression to analyze evidence, revealed that accountability dynamics influence tax revenue in ways that have favorable net effects on sustainable development. Also Ajeigbe, Ganda and Enowkenwa, (2023) evaluated the impact of sustainable tax revenue and expenditure on the achievement of sustainable development in some selected African and developed countries, with data gathered from 45 countries for the period of 2010-2020, analyzed with Generalized Method of Moments Technique their result revealed that the coefficient of grants received and various forms of taxes and other revenue have a positive effect on economic growth and a negative effect for poverty and unemployment for African and developed countries. In this line

Adekanmbi, Shallie and Olaniyi, (2022), also carried out a disaggregated analysis on Tax revenue and sustainable development in Nigeria with a time series data from 1989-2019 using the ARDL bound testing approach to cointegration, the findings revealed that PPT, CIT, VAT, PITA have a positive short-run relationship with GDP while Customs and Excise duties have a negative relationship in both short and long-run.

Evidently, several studies have shown that Petroleum profit tax contributes greatly to economic growth in Nigeria, some of such studies includes; (Ilaboya & Ofiafor 2014), on petroleum profit tax and economic growth in Nigeria, the study investigated the relationship between petroleum profit tax and economic growth in Nigeria, data were collected from CBN statistical bulletin, FIRS, and federal office of statistics for the period spanning from 1980 to 2011. A combination of co-integration and error correction estimation techniques were employed and several other diagnostic test like Durbin-Watson statistics, Augmented Dickey Fuller test, Ordinary Least Squares, Jarque-Beratest and Ramsey RESET test were carried out and the results showed that petroleum profit tax had statistically significant positive relationship with the real GDP growth rate and also petroleum profit tax have a positive impact on the economic growth in Nigeria.

Meanwhile, Olatunji and Adegbite (2014), empirically examined the effect of petroleum profit tax, interest rate and money supply on Nigerian Economy with data obtained from CBN statistical bulletin for the period of 1970 to 2010, the study employed multiple regression technique in analyzing the collected data and the findings revealed that the short-term effects of petroleum profit tax was positive while that of interest rate was negative and the effect of money supply was positive on economic growth.

Also, Etale and Bringilar (2016), examined the relationship between petroleum profit tax, personal income tax and economic growth in Nigeria, the study covered the period from 2005 to 2014, data collected from CBN statistical bulletin were analyzed using Ordinary Least Squares technique with the aid of SPSS version 20 and the results revealed that both petroleum profit tax and personal income tax have significantly positive relationship with economic growth. Yahaha and Bakare, (2018), reviewed the effect of petroleum profit tax and company income tax on economic growth in Nigeria for a period spanning from 1981 to 2018 with data collected from CBN statistical bulletin. Fully modified least squares regression technique and Augmented Dickey Fuller test were employed in analysis of data and the results showed that petroleum and company income tax have positive significant impact on gross domestic product in Nigeria with Adjusted R-square of 87.6%. Alhassan, Musa and Mahmud (2020), carried out an analysis of the impact of petroleum profit tax and economic growth in Nigeria for the period of 1985 to 2019. The variables were proxy by GDP, petroleum profit tax, non-oil tax revenue and governance which was proxy by government accountability specified in the estimated models. Co-integration and fully modified least squares were employed in the analysis an d the results revealed a long-run relationship between petroleum profit tax and economic growth in Nigeria, governance impact positively on economic growth in Nigeria while non-oil tax revenue impact negatively on economic growth in Nigeria.

Obaretina and Monye-Emina (2019), also reviewed petroleum profit tax and economic growth in Nigeria with data collected from CBN statistical bulletin and NBS annual record for the period spanning from 1994 to 2015, Ordinary Least Squares technique were employed to analyze the collected data and the findings revealed petroleum profit tax, foreign direct investment has positive and significant impact of Nigeria's economic growth. (Omodero, (2020) examined the consequences of indirect taxation on consumption in Nigeria. The study used various econometric tools such as trend analysis, pairwise Granger Causality test, unrestricted co-integration rank test and least square techniques to test data spanning from

2015 to 2019 and the results showed that VAT and customs and excise duties (proxies for indirect taxes) positively but insignificantly affect consumption.

Mukolu and Ogodor (2021), studied the effect of Value added tax on economic growth of Nigeria, data collected from CBN statistical bulletin for the period spanning from 1994 to 2018 were analyzed using Augmented Dickey Fuller method of analysis and the findings revealed VAT had a positive and significant impact on economic growth in Nigeria.

Evidently, a number of studies have been carried out in this subject but aside from the conflicting opinion they presented majority have used GDP as a proxy for economic growth and sustainable development, this study intends to fill this variable gap by using Human Development Index as a proxy for sustainable development. It also intends to bridge the currency gap.

2.2 Theoretical Review

2.2.1 Social Contract Theory

This study is anchored on Social contract theory is an ancient philosophical theory promulgated by Thomas Hobbes (1588-1689), and accompanied by other famous proponents such as John Locke, 1960 and Jean-Jacques Rousseau, 1762. It is a theory that postulates an understanding between the society and its state. This relationship is said to be responsible for human moral judgement. This means that people simply respect rules and regulations in expectation that others are doing same, thereby contributing to better life style. It constructs an account of political authority according to the concept of mutual consent and based on the notion that human beings are naturally free and equal (Stone, 2012). Thomas Hobbes proposed that a society living without rules and laws to govern their actions would be dreadful, he described such a society as living in a "state of nature" and that in such a state people will act on their own accord without any responsibility to their community. Thus, there is need for individuals within a society to understand their rights and obligations accordingly, which is dependent upon a contract or agreement among them to form the society in which they live, (Hassan, 2012). In the twentieth century, moral and political theory regained philosophical momentum as a result of John Rawls' Kantian version of social contract theory, and was followed by new analyses of the subject by David Gauthier and others. This theory is relevant to taxation, in that, taxation is not only a resource acquisition instrument for the state it plays a critical role in equity and distributive justice. More so, Paz- Fuchs, (2008), argued that when taxes are built on consensus, tax is treated as a public benefit and not an intrinsic evil. In this

social contract between the citizens and the government, their tax responsibilities appears parallel, while the taxpayers are committed to payment of taxes, government is committed to mobilizing tax revenue. When these taxes are collected the taxpayer does not receive direct return, rather incentives are received in the form of public utilities, the protection of life and property and government built facilities (Adekanmbi, Shallie & Olaniyi, 2022).

All these are the indices of sustainable development which forms a common ground for the citizens and the government in a social contract. In other words, when there is an understanding between the government, tax authorities and the taxpayers with each party dutifully carrying out their responsibility (citizens eagerly paying their tax, tax authorities collect and remit the actual amount collected and then the government judiciously utilizes the generated revenue for sufficient procurement of social amenities such as; power/electricity, good roads/streets networking, schools, job opportunities, hospitals/medical facilities, security Et cetera), there will be peaceful co-existence, increase in government revenue and consequently developmental progress, (Emmanuel 2018). However, when any party for instance the government fails to carry out their civic responsibilities, regardless of the huge tax loads that citizens bear, it sparks up resistance in the form of avoidance and evasion resulting to revenue loss. Therefore, social contact theory helps the profit standards of taxation which suggests that tax burden of each taxpayer should commiserate the benefits there from.

3. MATERIAL AND METHODS

The study adopted the *ex-post* factor research design, which is an attempt to establish facts and arrive at conclusions concerning past events, it is a systematized and objective enquiry into events, developments and experience of the past and a such the researcher lacks control over the variables under study. The choice of this design is leveled on the facts that the secondary data utilized in this study are composed of information and records of events which occurred prior to this research work. Time series data from secondary sources were obtained. The relevant data were collected from Central Bank of Nigeria (CBN) Statistical Bulletin, World Bank annual report, National Bureau of Statistics (NBS) and Federal Inland Revenue Service (FIRS) reports of various years involving Petroleum Profit Tax (PPT), Company Income Tax (CIT) Value Added Tax (VAT), Custom and Excise Duties (CED) for 24years period (2000 – 2023). The study also employed both descriptive and inferential statistics in analyzing the collected data, while tables were used to ascertain their trend, Augmented Dickey fuller test were carried out to ascertain trend-stationarity of time series data. The formulated hypotheses were tested using regression analysis at 5% significant level.

This study adopted the model of Adekanmbi, Shallie & Olaniyi, (2022), stated as;

$RGDP = B_0 + B_1PT_t + B_2CP + B_3CED_t + B_4VAT_t + B_4PIT_t + U_t \ldots\ldots\ldots Eqn\ 1.$

This was however modified to suit and include variables of interest in this study as follows:

$HDI = f(a_0 + a_1IT + u_t)$ ……..……*Eqn 2*

HDI= (dependent variable).

IT = (Independent variable consisting of PPT, CIT, VAT and CED) thus,

$HDI=f(a_0 + a_1PPT + a_2CIT + a_3VAT + a_4CED + u_t)$

Where:

HDI = Human Development Index

a_0 = Constant term

PPT = Petroleum Profit Tax

CIT = Company Income Tax

VAT = Value Added Tax

CED = Custom and Excise Duties

$a_1, a_2 \ldots$ = Coefficient of determination for independent variables.

U_t = Error term.

Reject null hypothesis if the regression result (P value) is less than 0.05 otherwise accept null hypothesis.

4. RESULT AND DISCUSSIONS

4.1 Data Analysis

4.1.1 Descriptive Statistical Analysis

Summary of statistics such as mean, standard deviation, maximum, minimum, skewness, kurtosis, and Jarque-Bera statistics were used to descriptively analyze the data collected for the purpose of the study. The descriptive analysis is shown below in Table 1

Table 1 Descriptive Analysis

	HDI	PPT	CIT	VAT	CED
Mean	49.29583	1669.403	989.1613	690.0433	724.9749
Median	48.00000	1498.695	781.0000	684.9000	603.6250
Maximum	55.00000	3201.300	4896.000	2072.850	2511.518
Minimum	43.00000	224.4000	53.30000	58.00000	101.5000
Std. Dev.	3.585294	926.4294	1070.125	514.5183	700.0779
Skewness	0.066667	0.160934	2.228033	0.790208	1.593166
Kurtosis	1.732542	1.930526	8.625003	3.292317	4.470543
Jarque-Bera	1.624228	1.247375	51.49719	2.583162	12.31521
Probability	0.443919	0.535965	0.000000	0.274836	0.002117
Sum	1183.100	40065.67	23739.87	16561.04	17399.40
Sum Sq.Dev.	295.6496	19740242	26338871	6088768.	11272510
Observations	24	24	24	24	24

Source: Author's computation using E-views 10 (2024)

The Human Development Index (HDI) in Nigeria between 2000 and 2023 showed an average value of 49.30%, indicating a moderate level of human development during this period. The maximum value recorded was 55%, while the minimum was 43%, reflecting fluctuations in the overall human development outcomes in the country. The standard deviation of 3.59% suggests some variability in HDI over the years, though the changes are not extremely large, indicating relatively consistent progress or challenges in human development.

Petroleum Profit Tax (PPT) exhibited a mean value of ₦1,669.40 billion, indicating that on average, this tax contributed significantly to Nigeria's revenue within the studied period. The maximum PPT recorded was ₦3,201.30 billion, showcasing periods of high revenue collection, likely influenced by global oil prices and production levels. Conversely, the minimum value was ₦224.40 billion, representing times of lower tax revenues, possibly due to decreased oil production or price drops. The high standard deviation of ₦926.43 billion highlights considerable volatility in PPT, reflective of the fluctuating nature of the oil industry and its impact on government revenue.

Company Income Tax (CIT) averaged ₦989.16 billion, signifying its role as a substantial source of government revenue. The maximum CIT observed was ₦4,896.00 billion, indicating a peak in corporate profitability and tax contributions. The minimum value was ₦53.30 billion, which may reflect periods of economic downturn or reduced corporate

earnings. The standard deviation of ₦1,070.13 billion points to significant variability in CIT collections over the years, suggesting that corporate earnings and corresponding tax payments have experienced considerable fluctuations during the study period.

Value Added Tax (VAT) had a mean value of ₦690.04 billion, showing its importance as a consumption tax in Nigeria's revenue structure. The maximum VAT collected was ₦2,072.85 billion, indicating periods of high consumer spending and effective tax administration. The minimum VAT was ₦58.00 billion, reflecting lower consumption levels or inefficiencies in tax collection. The standard deviation of ₦514.52 billion suggests moderate variability in VAT revenue, which could be due to changes in consumer behavior, economic conditions, or policy adjustments affecting VAT rates or compliance.

Custom and Excise Duty (CED) recorded an average value of ₦724.97 billion, demonstrating its role in revenue generation from trade activities. The maximum CED was ₦2,511.52 billion, likely corresponding to periods of high import/export activities or effective customs enforcement. The minimum value of ₦101.50 billion suggests periods of reduced trade volumes or weaker customs enforcement. The standard deviation of ₦700.08 billion indicates substantial variability in CED collections, possibly due to fluctuations in trade volumes, changes in tariff rates, or variations in the enforcement of customs regulations.

4.2 Test of Hypotheses

We proceeded to testing the hypotheses from the OLS regression test shown in Table 2 below.

Table 2 OLS Regression

Dependent Variable: HDIP

Method: Least Squares

Date: 08/09/24 Time: 02:50

Sample: 2000 2023

Included observations: 24

Variable	Coefficient	Std. Error	t-Statistic	Prob.
PPT	-0.000767	0.000470	-1.632007	0.1191
CIT	0.002393	0.000733	3.263632	0.0041
VAT	0.006446	0.001184	5.443019	0.0000
CED	-0.002647	0.001384	-1.911953	0.0711

C	45.68093	0.691070	66.10175	0.0000

R-squared	0.848174	Mean dependent var	49.29583
Adjusted R-squared	0.816211	S.D. dependent var	3.585294
S.E. of regression	1.537039	Akaike info criterion	3.880645
Sum squared resid	44.88730	Schwarz criterion	4.126073
Log likelihood	-41.56774	Hannan-Quinn criter.	3.945757
F-statistic	26.53581	Durbin-Watson stat	2.252169
Prob(F-statistic)	0.000000		

Source: Author's computation using E-views 10 (2024)

The Ordinary Least Squares (OLS) regression results presented in Table 2 provide insights into the relationship between various tax revenues—Petroleum Profit Tax (PPT), Company Income Tax (CIT), Value Added Tax (VAT), and Custom and Excise Duty (CED)—and the Human Development Index (HDI) in Nigeria. The regression model uses HDI as the dependent variable and the tax revenues as independent variables to assess how changes in tax collections impact human development outcomes. The adjusted R-squared value of 0.816211 indicates that approximately 81.6% of the variability in the HDI can be explained by the independent variables (PPT, CIT, VAT, and CED) included in the model. This high value suggests that the model has a good fit, meaning that these tax revenues are significant determinants of human development in Nigeria. The Durbin-Watson statistic of 2.252169, which is close to 2, suggests that there is no significant autocorrelation in the residuals of the model, indicating that the model's predictions are reliable. Finally, the Prob(F-statistic) value of 0.000000 indicates that the overall regression model is statistically significant, meaning that the independent variables collectively have a significant impact on HDI.

4.2.1 Hypothesis I

H_{01}: Petroleum profit tax has no significant effect on human development index in Nigeria

The coefficient for Petroleum Profit Tax (PPT) is -0.000767, with a p-value of 0.1191. This negative coefficient suggests an inverse relationship between PPT and HDI, implying that as revenue from PPT increases, the HDI tends to decrease, although this relationship is not statistically significant at the conventional 5% significance level. The p-value above 0.05 indicates that the effect of PPT on HDI is not statistically significant, meaning that fluctuations in PPT may not have a strong or consistent impact on human development in

Nigeria during the study period. This could be due to the volatility and potential mismanagement of oil revenues, which may not translate effectively into development outcomes and this result contrasts that of Alhassan, Musa and Mahmud (2020), but largely agrees with the finding of Ajeigbe, Ganda and Enowkenwa, (2023). We therefore accepted the null hypothesis that Petroleum Profit Tax has a negative but non-significant effect on human development index of Nigeria (p-value of 0.1191).

The finding that Petroleum Profit Tax (PPT) has a negative coefficient of -0.000767, though not statistically significant, suggests that increases in PPT revenue are associated with a slight decrease in the Human Development Index (HDI). This inverse relationship, while not strong enough to be conclusive, may reflect the complexities of Nigeria's reliance on oil revenues. Despite the significant revenue generated from petroleum, the benefits may not effectively trickle down to improve human development. Issues such as mismanagement, corruption, and the volatility of oil prices could result in these funds not being optimally utilized for public services like education, healthcare, or infrastructure, which are crucial for improving HDI.

4.2.2 Hypothesis II

H_{02}: Company income tax has no significant effect on human development index in Nigeria

The coefficient for Company Income Tax (CIT) is 0.002393, with a p-value of 0.0041. This positive coefficient indicates a direct relationship between CIT and HDI, suggesting that increases in CIT revenue are associated with improvements in the HDI. The p-value below 0.05 indicates that this relationship is statistically significant, meaning that higher CIT collections significantly contribute to better human development outcomes in Nigeria. This finding conforms to the findings of Adekanmbi, Shallie and Olaniyi, (2022). Also this finding implies that corporate tax revenues are likely being channeled effectively into public goods and services that enhance human development and directly affect citizens' well-being, such as education, healthcare, and infrastructure. We therefore accepted the alternate hypothesis that Company Income Tax has a positive and significant effect on human development index of Nigeria (p-value of 0.0041).

4.2.3 Hypothesis III

H_{03}: Value added tax has no significant effect on human development index in Nigeria.

The coefficient for Value Added Tax (VAT) is 0.006446, with a p-value of 0.0000. This positive and statistically significant coefficient indicates a strong positive relationship between VAT revenue and HDI. The significance of this relationship suggests that as VAT collections increase, the HDI also improves, highlighting the importance of consumption taxes in funding public services that enhance quality of life. It also suggests that VAT is an important source of revenue that significantly contributes to improving human development in Nigeria. This result agreed with the finding of Mukolu and Ogodor (2021). The highly significant p-value indicates that VAT is a crucial driver of human development in Nigeria, possibly due to its widespread application and effectiveness in generating revenue for development-focused government spending. The broad-based nature of VAT, which applies to a wide range of goods and services, ensures a steady stream of revenue that can be allocated to development projects. The significance of this relationship underscores the effectiveness of VAT as a tool for generating resources that are used to fund essential services and infrastructure, which are critical to enhancing human development outcomes. We therefore accepted the alternate hypothesis that Value Added Tax has a positive and significant effect on human development index of Nigeria (p-value of 0.0000).

4.2.4 Hypothesis VI

H_{04}: Custom and excise duties do not significantly affect human development index in Nigeria.

The coefficient for Custom and Excise Duty (CED) is -0.002647, with a p-value of 0.0711. This negative coefficient indicates an inverse relationship between CED revenue and HDI, suggesting that increases in CED are associated with decreases in HDI. However, the p-value of 0.0711, which is slightly above the 5% significance level, indicates that this relationship is not statistically significant, though it is close to being so. This may suggest that while trade-related taxes like CED could potentially have a negative impact on human development, possibly due to their effect on the cost of goods and trade dynamics, this impact is not strong enough to be conclusive in this study. This finding coincides with that of Adekanmbi, Shallie and Olaniyi, (2022). We therefore accepted the null hypothesis that Custom and Excise Duty has a negative but non-significant effect on human development index of Nigeria (p-value of 0.0711).

Custom and Excise Duty (CED) has a negative coefficient of -0.002647, which is close to being statistically significant. This finding suggests that increases in CED revenue might be associated with a reduction in HDI, though this relationship is not definitive. The potential negative impact of CED on human development could be attributed to the way these taxes affect the cost of goods and trade in the country. Higher customs and excise duties may lead to increased prices for imported goods, which could reduce consumer purchasing power and limit access to essential goods and services, thereby negatively impacting human development.

5. CONCLUSION AND RECOMMENDATIONS

The study analyzed the effect of Petroleum Profit Tax (PPT), Company Income Tax (CIT), Value Added Tax (VAT), and Custom and Excise Duty (CED) as proxies for taxation on the Human Development Index (HDI) as a proxy for sustainable development in Nigeria. The overall model, with an adjusted R-squared value of 0.816211, indicates that the variables in the study (PPT, CIT, VAT, and CED) collectively explain a significant portion of the variation in HDI, suggesting that these tax revenues are critical determinants of human development in Nigeria. The model's significance, indicated by the Prob(F-statistic), reinforces the importance of effective tax revenue management in enhancing development outcomes. The mixed effects observed across different types of taxes highlight the need for a balanced and well-coordinated fiscal policy that ensures tax revenues are used in ways that directly benefit human development. This could involve improving the transparency and efficiency of tax collection and expenditure, particularly in sectors that have a more direct impact on citizens' quality of life.

Based on the study findings, the oil sector's dominance might crowd out other sectors that could have more direct impacts on human development, leading to this observed negative relationship. Also, as companies generate more profits and pay higher taxes, the government has more resources to invest in development programs that enhance the overall quality of life, thus improving the HDI. Furthermore, the robust positive effect of VAT on HDI highlights its importance in the Nigerian context, where consumption taxes play a crucial role in public finance. Finally, when revenues from custom and excise duties are not efficiently reinvested in development programs, the potential benefits of CED could be undermined, leading to the observed negative relationship. In conclusion, more balanced approach to sectoral growth and

efficient reinvestment of tax revenues is essential for maximizing the impact on human development.

In the light of the above, we recommend that:

1. The Ministry of Finance and the Nigerian National Petroleum Corporation (NNPC) should prioritize the transparent and efficient allocation of petroleum revenues to critical sectors such as healthcare, education, and infrastructure, ensuring that oil revenues translate into tangible human development benefits.

2. The Federal Inland Revenue Service (FIRS) should continue to strengthen corporate tax collection mechanisms while ensuring that revenues are directed towards development projects that enhance public services and infrastructure, further improving human development outcomes.

3. The National Assembly should consider revisiting VAT policies to optimize revenue generation while ensuring that these funds are dedicated to social programs and infrastructure development that directly improve the quality of life for citizens.

4. The Nigeria Customs Service should review and potentially adjust customs and excise duty rates, ensuring they do not disproportionately burden consumers, while working with the Ministry of Trade and Investment to balance revenue needs with the goal of enhancing access to essential goods and services.

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APPENDIX

Appendix A Data Presentation

Year	PPT (₦' Billion)	CIT (₦' Billion)	VAT (₦' Billion)	CED (₦' Billion)	HDI %
2000	334.50	53.30	58.00	101.50	43.90
2001	407.10	69.40	91.70	170.60	46.30
2002	224.40	89.10	108.60	181.40	46.60
2003	438.00	114.80	136.40	195.50	45.30
2004	878.60	130.80	163.30	217.20	46.00
2005	1352.20	170.20	192.70	232.80	43.00
2006	1349.50	246.70	232.70	177.70	47.00
2007	1132.00	332.40	312.60	241.40	48.00
2008	2060.90	420.60	401.70	280.20	48.00
2009	939.40	600.60	481.40	295.50	48.00
2010	1480.40	666.10	564.90	429.56	48.00
2011	3070.60	715.40	659.20	570.87	46.00
2012	3201.30	846.60	710.60	646.67	50.00
2013	2666.40	998.40	802.70	636.38	47.00
2014	2453.95	1173.49	802.96	750.53	50.00
2015	1289.96	1268.98	767.33	694.60	52.00
2016	1157.81	933.54	828.20	679.49	52.00
2017	1520.48	1215.06	972.35	785.89	53.00
2018	2467.58	1340.33	1108.04	884.76	53.00
2019	2114.27	1604.70	1189.98	1005.49	54.00
2020	1516.99	1275.38	1531.17	1094.08	54.00
2021	2008.45	1747.99	2072.85	2240.00	54.00
2022	2830.88	2830.00	1171.36	2511.52	53.00
2023	3170.00	4896.00	1200.30	2375.76	55.00