EFFECT OF DIRECT TAXES ON THE ECONOMIC DEVELOPMENT OF NIGERIA

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ABSTRACT:

The creation of high level of revenue is essential to all governmental levels. It makes it possible for them to perform vital tasks including providing public goods, maintaining law and order, defending the country against external threats, and managing trade and commerce to advance social and economic development. One of the ways governments use to raise fund is through direct and indirect tax. This study focused on the effect of direct tax on the economic development of Nigeria. We measured economic development using Human Development Index while company income tax (CIT), petroleum profit tax (PPT) and personal income tax(PIT) were used to measure direct tax for a period of thirty-three years (33). Three hypotheses were formulated and tested using auto regressive distributed lag model (ARDL) and we found out that, within our period of coverage, while company income tax had a statistical and significant effect on the economic development of Nigeria, PPT and PIT had no statistical and significant effect on the economic development of Nigeria. We recommended that: It would be prudent for Nigeria to concentrate on diversifying its revenue streams and economic strategies in order to promote growth, as PPT and PIT does not appear to have a substantial impact on the economic development, that government should encourage business expansion and investments through established incentives as that would boost the aggregate CIT revenue generated in the country.

1. INTRODUCTION

There is a paradigm shift from over dependence on revenue from oil to revenue from taxation as an alternative source of government revenue in Nigeria. All levels of government depend on revenue generation. It enables them to carry out crucial duties like supplying public goods, upholding law and order, protecting the nation from outside

threats, and controlling commerce and trade to promote social and economic study focus on ment (Guzman, 2022; Kim & Park, 2021; Kryeziu, 2021). Governments use taxes as a major tool for fiscal policy in order to raise money and promote economic development. In Nigeria, direct taxes such as corporate and personal income taxes make up a sizable portion of the national income generation.

Effective tax revenue collection can reduce Nigeria's reliance on erratic outside funding. Additionally, it can provide governments greater freedom and control over the formulation and implementation of their development plans (Combes & Ouedraogo, 2016). Reducing reliance on oil revenue is one of the main advantages of direct taxation for economic development. Nigeria's economy, which depends heavily on oil, is challenged by volatile revenue as a result of changes in the price of oil globally (Ike et al., 2022).

Taxes are categorized into direct and indirect taxes. Direct tax is a tax imposed on corporate organization and individuals and is paid directly to government account. Examples are Personal Income Tax, Company Income Tax, Capital Gains Tax and Petroleum Profit Tax. Indeed, direct tax has a direct effect on the disposable income of individuals. Through the implementation of direct taxation, the nation can lessen its dependence on oil earnings and establish a more secure financial foundation for its development initiatives. Furthermore, by lowering income inequality, direct taxation can support economic development, claims Bourguignon (2018). The government can ensure that the wealthiest contribute a larger percentage of their income while relieving low-income people of taxation by enacting progressive tax rates. This redistribution of wealth has the potential to lessen inequality and promote a more equitable allocation of the resources required for economic growth.

Direct taxation in Nigeria is not without its difficulties, though. The persistent problems of tax avoidance and evasion lead to lower-than-expected revenue collection (Obafemi, 2014). To further maximize the potential advantages of direct taxation for economic development, insufficient enforcement mechanisms and a convoluted tax code present challenge. Against this backdrop, the aim of this research is to investigate how direct tax revenue affects the economic development of Nigeria.

2. LITERATURE REVIEW

Concept of Tax

According to the Institute of Chartered Accountants of Nigeria (2020), tax is a mandatory financial charge that is placed on the income and property of people, businesses, and other entities by a public authority, as specified by statutory legislation. The purpose of taxes is to transfer resources from different economic actors to the government; they are not transactions for particular goods or services. The government can accomplish more significant economic and social goals as well as pay for necessary services from the resource transfer.

Nigeria has multiple taxation systems, each with a unique purpose and effect on the various economic sectors. The primary tax categories are as follows:

1. **Tax on Personal Income (PIT):** This tax, which is progressive in nature and is levied on people's earnings, is a major source of funding for the government. Rates rise as income levels do.

2. **Petroleum Profit Tax (PPT):** A tax levied on the earnings of businesses that extract petroleum resources. Nigeria is a major oil producer, so this tax is essential to the country's revenue structure.

3. **Companies Income Tax (CIT**): One of the main elements of corporate taxation, this tax is levied on the profits of companies that have incorporated.

4. **Value-Added Tax (VAT):** This consumption tax, which is levied on value added at every stage of the production and distribution process, is applicable to both goods and services. Businesses gather it on the government's behalf.

5. **Tertiary Education Tax (TET):** This tax supports the educational sector by giving universities and other higher education establishments more resources. It is specifically designated for the development and funding of tertiary institutions.

6. **Capital Gains Tax (CGT):** This tax targets the monetary gains from capital transactions and is levied on the profits received from the sale of assets or investments.

7. **Customs and Excise Duties (CED):** These are levies levied on exports and imports as well as on some domestically produced goods. While excise duties are usually applied to products like alcohol, tobacco, and petroleum products, customs duties control international trade.

8. **Stamp Duties:** This tax, which is imposed on legal documents and transactions, such as real estate sales and specific financial agreements, is used to fund a variety of legal and commercial endeavors.

Without any doubt, taxes are broadly categorized into direct and indirect taxes (Olawunmi & Ayinla, 2019).

Direct Taxes: These taxes cannot be transferred to another party; instead, they are imposed directly on the income or wealth of an individual or entity. Petroleum profit tax, company income tax, and personal income tax are a few examples. The person or business that is in charge of making the payment bears the full cost of these taxes (Korkmaz et al., 2019).

Indirect Taxes: In contrast to direct taxes, indirect taxes have the ability to be transferred from the original taxpayer to third parties or customers. Value-added tax (VAT), customs, and excise duties are among the taxes that are included in the cost of goods and services (CED). These taxes are normally borne by the final customer and are factored into the cost of goods and services (Okoye et al., 2021).

The various tax forms are intended to meet various demands for revenue and different facets of economic activity. While indirect taxes are more concerned with trade and consumption, direct taxes concentrate on income and wealth. Both types of taxes play a major role in financing public services and fostering economic growth. We decide to look at how direct taxes personal income tax, corporate income tax, and petroleum profit tax, in particular affect Nigeria's economic growth in order to keep our attention appropriately focused.

Concept of Economic Development

While they are sometimes used synonymously, economic development and economic growth are two different ideas. Over time, a nation's Gross National Product (GNP) per capita should increase both qualitatively and quantitatively as a sign of economic development. The process by which GNP per capita increases in both quality and quantity is how Harelimana (2018) defines it. In addition to a rise in output, Satope and Akanbi (2014) stress that major modifications to the institutional and technical frameworks controlling production are also important components of economic development. They contend that since broader developmental objectives can only be attained through sustained growth, economic growth is an essential element of economic development. Economic development, according to the United Nations Development Programme (1992), should foster an atmosphere in which people can reach their full potential and live creative, productive lives that are tailored to their needs and interests.

The literature on economic development, despite its complexity, frequently concentrates on a few crucial indicators:

Living Standards and Well-Being: According to De Neve and Sachs (2020), improved living standards, better health, and general well-being for all members of society are essential to economic development.

Human Development Index (HDI): This index evaluates development by combining data on health, education, and income (Onabote et al., 2023).

The Human Development Index (HDI) with inequality adjustment: According to Alkire and Foster (2010), this index modifies the HDI to take into consideration inequality in how each dimension is distributed among the population.

Physical Quality of Life Index (PQLI): According to Cereseto and Waitzkin (1986), this index takes into account a number of factors, including nutrition, water quality, sanitation, health, and education.

Multidimensional Poverty Index (MPI): According to Santos and Alkire (2010), the MPI measures a number of individual deprivations, including those related to living standards, health, and education.

Per Capita Real Income (PCRI): This looks at the income based on population size and is used to gauge economic development.

These indicators collectively provide a comprehensive view of economic development, which is not only limited to economic growth but includes improvements in quality of life, social equity, and overall well-being. For the purpose of our study we will use the human capital index to measure the economic development of Nigeria.

Direct Tax and Economic Development in Nigeria

Taxes are primarily used to finance government expenditure and wealth redistribution, both of which can aid in national development. Governments have different developmental needs, which influence how they set up their tax systems (Ogbonna & Ebimobowei, 2012). Nigeria's economic development is greatly aided by direct taxes like

the Companies Income Tax (CIT) and Personal Income Tax (PIT), which generate vital funds for infrastructure and public services. Nevertheless, a number of obstacles make direct taxes less effective at promoting development. Significant revenue leakage and enforcement problems are frequently caused by antiquated technology and ineffective administrative procedures (Ojo, 2014). Inadequate resources for tax authorities and low taxpayer compliance also erode the system (Adebayo, 2016). Notwithstanding these obstacles, direct taxes have a large potential to promote economic growth.

Challenges in Direct Tax Administration in Nigeria

Nigerian direct tax administration faces a number of obstacles that reduce its efficacy and efficiency. These have an effect on the nation's overall economic development in addition to revenue collection. Among them are: Tax Collection Systems That Are Not Effective: The inefficiency of tax collection systems is one of the main issues with Nigeria's direct tax administration. A lot of tax offices continue to use manual procedures, which can result in mistakes, hold-ups, and a lack of transparency. Ojo (2014) claims that this inefficiency causes a large revenue leak because it makes it harder to precisely track and manage tax payments; Taxpayer non-compliance: A significant lack of trust exists between taxpayers and the government, in part because of beliefs about corruption and the misappropriation of public funds. As a result, many taxpayers do not see the advantages of paying taxes. Widespread tax avoidance and evasion result from this. Adegbie and Fakile (2013) point out that reaching high compliance rates is still very difficult in the absence of robust enforcement measures and efficient taxpayer education; Inadequate Resources and Infrastructure: Inadequate resources and infrastructure plague a large number of tax authorities in Nigeria. Tax offices' capacity to invest in cutting-edge technology, employee training, and efficient data management systems is hampered by a lack of funding.

Adebayo (2016) asserts that insufficient resources make it difficult to carry out exhaustive audits and successfully enforce tax laws. Investing in improved resources and infrastructure is required to raise the overall effectiveness of tax administration; Inadequate Taxpayer Education: Providing taxpayers with information regarding their responsibilities and the advantages of filing taxes is essential to efficient tax administration. Omojimite (2018) asserts that improving taxpayer outreach and education initiatives may contribute to a rise in taxpayer cooperation and understanding; Restricted Technology Use: Technology has been slowly adopted in Nigeria, despite the fact that it has the potential to revolutionize tax administration. There are still a lot of manual or partially automated tax procedures, which reduces transparency and efficiency. Although the Nigerian government has made some progress in this direction, much more needs to be done. Adopting digital solutions can enhance record-keeping, expedite tax collection, and lessen corruption opportunities (Nigerian Economic Summit Group, 2020).

Nigeria can greatly improve the administration of its direct taxes by tackling these issues, which will increase revenue generation and promote overall economic development.

Empirical Review

Abata et al. (2023) contended that the challenge of identifying the tax structure and reforms that could yield the biggest advantages leads to a variety of tax laws, structures, and reforms that are harmful to economic growth. Using data from Nigeria, they looked at how direct and indirect taxes affected economic growth. The study employed an ex-post

facto research design and collected secondary data from the Central Bank Statistical Bulletin spanning the years 1995 to 2021. The test findings showed that direct taxes (PPT & CIT) greatly impeded economic expansion. Furthermore, indirect tax (VAT) had a major and positive influence on Nigeria's economic growth, whereas CED was found to be negligible. They concluded that both direct and indirect taxes had a significant effect on economic growth and recommended that Value Added Tax (VAT) be promoted in order to add more goods to the VAT list and thereby expand the size of Nigeria's tax base. Customs and excise taxes (CED) on foreign raw materials sourced by manufacturing firms operating in the area should not be excessively high in order to prevent local businesses from being displaced.

Ayano (2022) looked at how Nigeria's standard of living, health, and education were affected between 2000 and 2020 by income tax revenue, education tax revenue, and petroleum profit tax revenue. After the study tested the unit roots of the variables using Augmented Dickey Fuller, all of the variables were found to be stable at both level and first difference. The Bound Cointegration test and the Autoregressive Distributed Lag (ARDL) were used to estimate its models. The results demonstrated that there was a negative correlation between life expectancy at birth (LEXB) and company income tax revenue/education tax revenue, but a positive correlation between LEXB and petroleum profit tax revenue within the study periods; tertiary school enrollment (SET) and company income tax revenue showed a positive correlation, education tax revenue and SET showed a negative correlation within the study periods, and petroleum profit tax revenue and SET showed a positive/significant correlation; The data indicates that there is a positive correlation between the revenue from education taxes and per capita gross national income (PCGNI), which is a proxy for standard of living. Additionally, there is a positive relationship between the revenue from petroleum profit taxes and PCGNI. Furthermore, a negative correlation between the PCGNI and the company's income tax revenue in the current year and the year after was seen. According to the study, the creation and implementation of policies pertaining to Nigeria's standard of living, health, and education benefit greatly from the income tax revenue from businesses, the education tax revenue, and the petroleum profit tax revenue, in that order.

Nigeria's economic growth from 1970 to 2020 was examined by Garga and Akanegbu (2022) in relation to direct taxes. The Central Bank of Nigeria (CBN), Federal Inland Revenue Services, and the National Bureau of Statistics (NBS) contributed data for the study. They employed multiple regression, the Ordinary Least Square (OLS) Model, and the Augmented Dickey-Fuller (ADF) as tools for data analysis. As per the study's findings, corporate income taxes contributed positively to Nigeria's economic growth. Based on the study's results, PPT and CIT both positively support Nigeria's economic growth. According to the report, Nigeria's federal government should create diversification plans to prevent an undue reliance on oil revenue (petroleum profit tax), as changes in oil prices could hinder the country's economic growth. The study also recommended that the government begin to prioritize telecommunications, agriculture, and tourism in order to expand the size of its tax base.

Egiyi (2021) examined the long-term relationship and dynamic interactions between company income tax and economic development in Nigeria from 2000 to 2020. The secondary data that was collected came from the Central Bank of Nigeria Statistical Bulletin, the World Bank Development Indicators, and the Federal Inland Revenue Service. The independent variable was the company development index (HDI), and the

dependent variables were the value-added tax (VAT) and company income tax (CIT). Using the Autoregressive Distributed Lag (ARDL) bound test, the relationship between corporate income tax and economic development was empirically investigated. The result proved that there is a long-term connection between corporate income tax and economic development. It was proposed that in order to appropriately redistribute income throughout the economy, tax authorities should be further strengthened and ready to enforce taxpayer compliance due to the significant negative correlation that corporate income tax has with economic development.

Ogbonnaya & Oguguo (2021) examined the relationship between tax revenue and economic development in Nigeria by using the unemployment rate and the human development index as dependent variables and the personal income tax, corporate income tax, petroleum profit tax, and value added tax as independent variables. A panel data set spanning the years 2004 through 2019 is employed. When co-integration and error correction modeling techniques were applied to the de-identified data, the results demonstrated that tax revenue had no appreciable effect on either human development or the unemployment rate in Nigeria. Based on the findings, suggestions were made to effectively deter the fiscal irresponsibility that has crept into Nigerian society at all levels and to allocate government funds to the provision of security, infrastructure, education, and long-term initiatives that will improve living standards and reduce the country's unemployment rate.

The impact of taxes on Nigeria's economic growth from 2003 to 2017 was examined by Olaoye et al. (2019).The research utilized a number of analytical tools, including the Eigenvalue stability condition, the Jarque-Bera Normality Test, the Augmented Dickey-Fuller (ADF) unit root test, the Autoregressive Distributed Lag (ARDL) bounds test, and the Vector Error Correction Model (VECM). The study finds that corporate income tax, petroleum profit, and value added tax all have an impact on Nigeria's economic growth over the long run. The report recommended that value added tax be increased by the government in order to stimulate Nigeria's economy, as opposed to raising corporate income tax rates, which would eventually be detrimental to the country's economic growth. The government should not concentrate its efforts on the petroleum profit tax either, as it has little effect on the country's economic expansion.

3. METHODOLOGY

The study examines how Nigeria's economic development is impacted by direct taxes. The human development index was used to represent economic development, while the company income tax, petroleum profit tax, and personal income tax served as proxies for direct taxes. We used the ex post facto research design, which eliminates the possibility of manipulation because the data came from a reliable source. The secondary sources from which the data for this study were gathered were the Federal Inland Revenue Service (FIRS) and the Central Bank of Nigeria Statistical Bulletin (CBN Bulletin 2023, FIRS 2023).

Model Specification

The mathematical model is stated as follows;

HDI = f (PPT, CIT, PIT)\

Where: β_0 = Constant β_1 to β_3 = Parameter estimate for the explanatory variables. These models are justified by the need to estimate the effect of direct taxation on the economic growth of Nigerian. To fit into econometric form the model is adjusted thus:

$$HDI = \beta_0 + \beta_1 \, PPT + \beta_2 \, CIT + \beta_3 \, PIT + \mu$$

Where: HDI, PPT, CIT and PIT stand for human development index, petroleum profit tax, company income tax and personal income tax.

μ stands for error term

4. DATA PRESENTATION AND ANALYSIS

Data Presentation

This section covers the presentation of data on Petroleum Profit Tax, Company Income Tax, Personal Income Tax and Human Development Index in Nigeria. The table below shows the detail of taxation in Nigeria ranging from 1990 and 2022.

Table 4.1: Taxation between 1990 and 2022

YEAR	HDI	PPT	CIT	PIT
1990	0.417	269.10	19.10	37.30
1991	0.420	386.20	30.00	30.90
1992	0.421	514.80	38.30	22.00
1993	0.423	592.10	51.70	47.30
1994	0.424	428.00	95.50	46.90
1995	0.446	428.60	12.30	42.70
1996	0.448	766.70	22.00	26.30
1997	0.450	685.10	26.00	35.90
1998	0.452	680.00	33.30	39.60
1999	0.455	164.30	46.20	38.00
2000	0.458	525.10	51.10	20.60
2001	0.459	639.20	68.70	29.50
2002	0.463	392.20	89.10	38.50
2003	0.449	683.50	114.80	42.10
2004	0.461	1,183.50	113.00	30.80
2005	0.468	1,183.50	140.30	38.49
2006	0.475	1,904.90	244.90	46.18
2007	0.479	2,038.30	275.30	53.87
2008	0.482	292.30	416.80	61.56
2009	0.486	1,256.50	568.10	69.25
2010	0.488	1,944.70	657.30	76.94
2011	0.494	3,070.59	654.45	43.87

2012	0.499	3,201.32	820.57	51.61
2013	0.504	2,666.37	963.45	48.94
2014	0.513	2,453.95	1,173.49	53.29
2015	0.520	1,289.96	1,268.98	57.74
2016	0.526	1,157.81	933.54	59.86
2017	0.528	1,520.48	1,215.06	108.01
2018	0.530	2,467.58	1,340.33	85.42
2019	0.537	2,114.27	1,604.70	70.63
2020	0.539	1,516.99	1,275.38	93.36
2021	0.542	2,008.45	1,747.99	61.20
2022	0.548	4,209.02	2,649.19	37.40

Source: CBN Statistical Bulletins and Federal Inland Revenue Service Statistics

Descriptive analysis

The analysis of descriptive statistics is performed so as to find out the properties of the data. The descriptive statistics measures the central tendency and dispersion.

Table 4.2: Descriptive Analysis

	HDI	**PPT**	**CIT**	**PIT**
Mean	0.480844	1386.447	585.6822	50.27250
Median	0.477000	1183.500	260.1000	46.54000
Maximum	0.548000	4209.020	2649.190	108.0100
Minimum	0.420000	164.3000	12.30000	20.60000
Std. Dev.	0.038806	1003.825	662.4510	20.38981
Skewness	0.168263	0.927553	1.216859	0.987104
Kurtosis	1.896631	3.231841	4.029159	3.719097
Jarque-Bera	1.774230	4.660224	9.309540	5.886131
Probability	0.411842	0.097285	0.009516	0.052704
Sum	15.38700	44366.29	18741.83	1608.720
Sum Sq. Dev.	0.046682	31237594	13604080	12888.07
Observations	32	32	32	32

Source: *Author's computation using Eviews 10.0 Software*

The model's dependent and independent variables' descriptive statistics are shown in the table from 1990 to 2022. The average values of the HDI, PPT, CIT, and PIT are, in order, 0.480844, ₦1386.447 billion, ₦585.6822 billion, and ₦50.27250 billion. These numbers can be compared to the highest possible values for the HDI, PPT, CIT, and PIT, which are, in order, 0.548000, ₦4209.020 billion, ₦2649.190 billion, and ₦108.0100 billion. It is clear that none of the variables' means are much higher than their maximum values. Skewness is a metric used to quantify how asymmetrically a series is distributed around its mean. All the variables have skewness values greater than zero. Positive skewness is indicated by it. Each variable's observation follows a right long-tailed distribution as a result. A normal distribution has a Kurtosis of 3. Table 4.2 also demonstrates that the distributions of HDI, PPT, CIT, and PIT are all platykurtic, with kurtoses of less than

seven for each. All the series are not normally distributed, according to the Jaque Bera statistics for all the variables, since the HDI, PPT, CIT, and PIT have respective Jarque Bera probability values of 0.411842, 0.097285, 0.009516, and 0.052704 that are all greater than 0.05.

Unit Root Test

Initial examination is carried out to determine whether the series contains a unit root. The outcomes of the Augmented Dickey Fuller (ADF) unit root test are displayed in table 4.3.

Table 4.3: Summary of the Augmented Dickey Fuller Unit Root Test of the Variables

VARIABLE	ADF TEST STAT.	5% CRITICAL VAL.	REMARKS
HDI	-2.427408	-3.562882	Non-Stationary
ΔHDI	-3.679424	-3.622933	Stationary
PPT	-3.590417	-2.568379	stationary
PIT	-3.822197	-3.587527	Stationary
CIT	-0.015526	-3.562882	Non-Stationary
ΔCIT	-4.497583	-3.574244	Stationary

Table 4.3 presents the empirical results of the Augmented Dickey Fuller (ADF) unit root test at 5 percent critical levels, which show that all the variables were stationary only after first difference. The variables have the same amount of integration as a result. This conclusion is derived from a comparison between Mackinnon's (1996) critical values and the Augmented Dickey Fuller statistics. We can run the Auto-regressive Distributed Lag (ARDL) model to determine whether the variables have a long-term relationship because they have different orders of integration.

Table 4.4: Bound Test

F-Bounds Test		Null Hypothesis: No levels relationship		
Test Statistic	Value	Signif.	I(0)	I(1)
		Asymptotic: n=1000		
F-statistic	2.111011	10%	3.47	4.45
K	3	5%	4.01	5.07
		2.5%	4.52	5.62
		1%	5.17	6.36

Since the Trace-statistic is less than the critical value at 5% it means that there is no evidence of co-integration among the variables. They do not have a long run relationship among the variables.

Table 4.5: Correlation

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
HDI(-1)	0.749914	0.145215	5.164162	0.0000
LPPT	5.72E-05	0.001548	0.036950	0.9708
LPPT(-1)	0.002221	0.001504	1.476876	0.1533

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LCIT	-0.007722	0.001920	-4.021682	0.0005
LCIT(-1)	0.006700	0.002158	3.105194	0.0050
LPIT	-0.002945	0.002946	-0.999525	0.3279
C	0.107077	0.065349	1.638539	0.1149
@TREND	0.001186	0.000833	1.423589	0.1680

R-squared	0.991386	Mean dependent var	0.482806
Adjusted R-squared	0.988764	S.D. dependent var	0.037798
S.E. of regression	0.004007	Akaike info criterion	-7.984153
Sum squared resid	0.000369	Schwarz criterion	-7.614092
Log likelihood	131.7544	Hannan-Quinn criter.	-7.863522
F-statistic	378.1564	Durbin-Watson stat	2.278915
Prob(F-statistic)	0.000000		

Regression Analysis
Dependent Variable: HDI
Method: ARDL
Date: 08/04/24   Time: 17:05
Sample (adjusted): 1991 2021
Included observations: 31 after adjustments

The dependent variable (HDI)'s systematic variations over the observed years were explained by PPT, CIT, and PIT, accounting for approximately 98.9% of the variances, according to the Adjusted R-Squared value of 0.988764. Other determining variables outside the model account for the remaining 1.1% of the variations.

A significant probability value of 0.000000, or less than 0.05, is displayed by the F-statistic. This indicates that there was a deliberate impact of the independent variables (PPT, CIT, and PIT) on the dependent variable (HDI). The absence of autocorrelation is indicated by the Durbin-Watson statistic of 2.278915.

HO$_1$: Petroleum profit tax has no significant effect on the economic development of Nigeria.

Petroleum Profit Tax has a coefficient of 0.002221, a p-value of 0.1533, and a t-statistic of 1.476876. The impact of the Petroleum Profit Tax on Nigeria's economic development is not statistically significant, as the p-value is greater than 0.05. This implies that during the studied period, Nigeria's economic growth was not significantly impacted by changes in the Petroleum Profit Tax.

HO$_2$: Company income tax has no significant effect on the economic development of Nigeria.
Company Income Tax has a coefficient of 0.006700, a p-value of 0.0050, and a t-statistic of 3.105194. Because the p-value is less than 0.05, it can be concluded that there is a statistically significant relationship between company income tax and economic development. According to the positive coefficient, Nigeria's economic growth is positively correlated with higher company income tax rates.

HO$_3$: Personal Income tax has no significant effect on the economic development of Nigeria.

With a t-statistic of -0.999525 and a p-value of 0.3279, the coefficient for personal income tax (LPIT) is -0.002945. Economic development is not significantly impacted by personal income taxes, as evidenced by the p-value exceeding 0.05. Although there is no statistically significant correlation, the negative coefficient implies that a higher personal income tax may be linked to somewhat less economic development.

Table 4.6: Heteroskedasticity Test

F-statistic	0.319134	Prob. F(7,23)	0.9376
Obs*R-squared	2.744404	Prob. Chi-Square(7)	0.9076
Scaled explained SS	9.582442	Prob. Chi-Square(7)	0.2135

Since the probability statistic for both the F-statistic and the Chi-square statistics is greater than 5%, we can conclude that the residuals are not heteroskedastic based on the results of the Breusch-Pagan-Godfrey heteroskedasticity test, which shows that the null hypothesis is rejected.

Table 4.7: Auto Correlation Test

Breusch-Godfrey Serial Correlation LM Test:

|			
F-statistic	0.451253	Prob. F(2,21)	0.6429
Obs*R-squared	1.277374	Prob. Chi-Square(2)	0.5280

Given that the probability values of the F-statistic and the Chi-square, which are 0.6429 and 0.5280, respectively, are larger than 5%, table 4.7's results demonstrate that the model contains a serial correlation.

Table 4.8 Error Correction Model

ECM Regression
Case 5: Unrestricted Constant and Unrestricted Trend

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.107077	0.033308	3.214721	0.0038
@TREND	0.001186	0.000372	3.189340	0.0041
D(LPPT)	5.72E-05	0.001074	0.053258	0.9580
D(LCIT)	-0.007722	0.001524	-5.066236	0.0000
CointEq(-1)*	-0.250086	0.080945	-3.089569	0.0052

With a p-value of 0.0052, the error correction term's coefficient is significant and suggests that there is a significant adjustment process leading to long-term equilibrium. When a coefficient is negative, it means that long-term equilibrium deviations are taken into account by the model.

Table 4.9: CUSUM Test
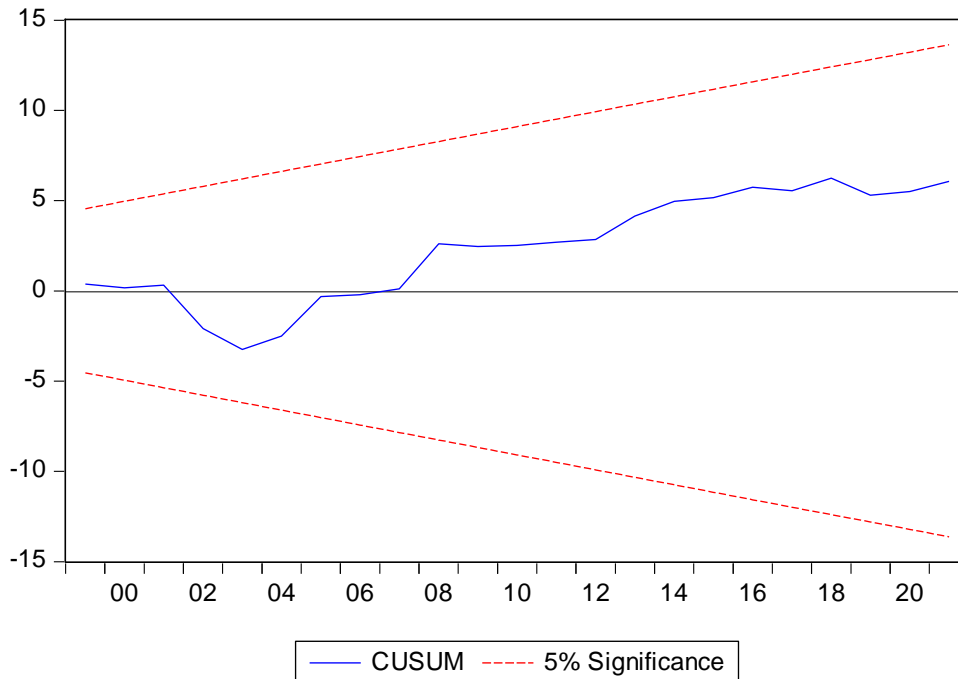
The results in table 4.10 shows that the model is stable since the expected values of the sequence are within the upper critical line and the lower critical line (within +4 and -4).

Discussion of Findings

Company Income Tax (CIT), Petroleum Profit Tax (PPT), and Personal Income Tax (PIT) are the three explanatory variables that were considered when evaluating Nigeria's impact. In line with Abata et al. (2023) and Garga & Akanegbu (2022), our study's findings demonstrated that Company Income Tax (CIT) significantly and favorably affects Nigeria's Human Development Index. Our research contradicts Akintoye, Adegbie, and Niyi's (2019) findings, which indicate that CIT significantly and favorably affects the human development index. Our findings are consistent with Olayode's (2019) findings, which indicate that substantial, effective, and prudent use of tax revenue is necessary to guarantee long-term economic development. In order to ensure that citizens' promises are fulfilled, the government should take care to encourage its citizens to increase their trust in budgetary responsibility. Additionally, it should guarantee that the tax system is very transparent and that tax revenues are used truthfully to benefit the general public. On the other hand, it was discovered that Nigeria's human development index was slightly but positively impacted by the Petroleum Profit Tax. The research findings align with the conclusions of previous studies conducted by Abata et al. (2023), Garga & Akanegbu (2022), Olaoye et al. (2019), and Abomaye-Nimenibo et al. (2018), which suggest that the petroleum profit tax has minimal impact on the country's economic growth and that the government shouldn't direct its efforts towards it.

5. CONCLUSION AND RECOMMENDATIONS

Conclusion

The findings indicate that the impact of the Petroleum Profit Tax on economic development is not statistically significant. This implies that adjustments to this tax might not have a significant impact on Nigeria's economic performance. It may be necessary for

policymakers to investigate alternate approaches or measures that have a more direct impact on economic growth. Company Income Tax, on the other hand, significantly promotes economic expansion. This result suggests that stronger economic growth is linked to higher company income tax revenues. It might be advantageous to use this tax to boost economic development, but in order to prevent any unfavorable effects on business investment and growth, tax rates Personal income tax has no statistically significant effect on economic growth, indicating that its influence on economic performance is minimal. This emphasizes the need for additional research into how personal income tax laws might be improved in order to better promote economic expansion.

The results underscore the significance of customizing tax laws to efficiently further economic goals. Petroleum Profit Tax and Personal Income Tax may need to be reevaluated and adjusted in order to improve their economic impact, even though Company Income Tax seems to be positively contributing to economic growth.

Recommendations

The study therefore recommends the following:

1. It would be prudent for Nigeria to concentrate on diversifying its revenue streams and economic strategies in order to promote growth, as PPT does not appear to have a substantial impact on economic growth.
2. Make sure that business expansion and investments are encouraged by the Company Income Tax system, as this could amplify the benefits it offers for economic growth.
3. Reassessing the Personal Income Tax's rates and structure may be helpful given the lack of notable impact. Look into ways to modify the tax code to better encourage economic expansion, like raising taxes or offering specific tax breaks.

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