

Chapter One

Introduction

1.1 Background to the Study

Consumer is the study “of the processes involved when individuals or groups select, purchase, use, or dispose of products, services, ideas, or experiences to satisfy needs and desires”. The term "consumer" in accounting refers to both the actual act of purchasing as well as patterns of aggregate purchasing, such as pre and post purchase activities. Growing awareness of a need or want and researching and assessing companies and items that could meet it are examples of pre-purchase activities. The appraisal of the acquired item in use and the alleviation of any tension that comes with the acquisition of pricey and occasionally purchased things are examples of post-buy activities. Each of these has an impact on purchases and repurchases, and marketers can affect them to varying degrees. The following consumer explanations helped us understand how customers behaved both before and after making a purchase. The following explanations of consumers led us to the behaviour of consumers both pre purchase and post purchase.

Consumer behaviour is defined as “those acts of individuals directly involved in obtaining, using, and disposing of economic goods and services, including the decision processes that precede and determine these acts”. In order to better understand, predict, and potentially control consumer behavior, researchers are increasingly turning to the more complex concepts and methods of investigation offered by behavioral sciences, as simple observation offers little insight into the complex nature of consumer choice¹. Consumer behaviour in a general sense can be considered to be everything, as every aspect of our lives revolves around the consumption of goods and services. Almost all behaviours that people participate in are in one way or another linked to

consumption. Whether it be travelling, shopping, or watching television, individuals are directly or indirectly engaging in consumer behaviour. It can be defined as the processes involved when individuals select, purchase and use products or services to fulfil the needs and desires².

Consumer behavior is different aspects of consumer's consumption choices. Consumers do make some decisions on the choices for instance to consume or not to consume a given product. Consumer behavior is an acquired attitude by individuals that consume a given product. The acquired attitude is specific to each sociocultural context and to each consumer³. Consumers cannot be categorized into one single group for the reason that each consumer is characterized by his or her socio-cultural differences. This approach to consumer behavior concept limits the consumer to his or her own environment. Consumer behavior includes some values that significantly influence consumers' shopping and consumption choices, and these values include knowledge, manners, beliefs, and customs. Consumer behavior is portrayed as attitudes, values, and actions exposed in a consumption perspective by consumers³. This perception of consumer behavior fails to bring out the psychological aspect related to consumer behavior. Consumer behavior is how consumers examine, evaluate, decide, which products, and/or services they need, and then they make purchases with some specific motives related to choice, consumption, quality, taste, advertising, or price.

Consumer behaviour is about human responses in a commercial word⁴. Consumers engage in the act of purchasing and using products or services based on their needs, preferences, and purchasing power. These products may fall into different categories such as consumable goods, durable goods, specialty goods, or industrial goods. The choices we make what we buy, where and when we make a purchase, how much we buy, and even how frequently we buy are influenced by a wide range of internal and external factors. These include our personal

perceptions, self-image, cultural and social background, stage of life and family cycle, as well as our attitudes, beliefs, values, motivations, personality traits, and social class. When making purchasing decisions, consumers not only decide whether to buy or not to buy, but also consider the source or seller, comparing alternatives to ensure the best value. This decision making process involves a series of psychological and behavioral steps through which individuals recognize their wants and evaluate the best means of satisfying them. This field of study is referred to as consumer behavior, which encompasses the mental, emotional, and physical activities that people engage in when selecting, purchasing, using, and disposing of products and services. For example, consumer behavior covers decisions such as which product to purchase, which brand to prefer, where to shop, how much to spend, and when to buy.

It also extends to more complex actions like comparing brands, analyzing product features, evaluating online reviews, or developing loyalty to certain sellers. From the perspective of businesses, understanding consumer behavior requires gathering and analyzing data, identifying patterns of consumer needs, creating effective marketing strategies, and implementing them in ways that influence purchase decisions. Ultimately, the consumer is not merely the end user but also the decision-maker who actively participates in the entire consumption cycle from recognizing a need, searching for alternatives, evaluating options, making a purchase, experiencing the product, and finally deciding whether to continue or discontinue its use in the future⁴.

A person's efforts to meet five basic needs which are physiological, security, social, and, Regards, self realization are what lead to inspiration⁵. Certain wants might result in bodily weights that can affect a man's behaviour. Physiological needs include those that are necessary for human survival, such as air, food, drink, shade, clothes, and rest. Security needs include those that endow an

identity with a sense of wealth and security. Security requirements include private protection, healthy finances, excellent health, and insurance against errors, harm, and their negative effects. Social needs are also known as connection, having a place, the desire to perceive an emotion having a place, and recognition. In order for people to not feel alone, friendless, or helpless, human needs are vital. Relationships, friendships, and kinships all serve to meet social demands. Regard needs relate to the need for respect and dignity, with the former being considerably more important than receiving respect and adulation from others. Self-realization needs relate to a person's need to touch their entire torpid. Anything that is incredibly particular is the necessity to organize what one is capable of. These needs exist in a multi-leveled hierarchy⁵. This movement strategy implies that lower priority demands must be satisfied before higher priority needs in terms of amount. Since it takes effort to satisfy unmet obligations, the lack of legislation mandates that once a need is met, assistance ceases to be provided. Impact of Value Added Tax on goods and services in the market could also affect the behaviour of consumers in the market.

The Sales Tax, which was originally introduced in Nigeria through the Federal Government Legislated Pronouncement No. 7 of 1986, was eventually replaced by the Value Added Tax (VAT). This shift was driven by several economic and administrative considerations. Unlike the Sales Tax, which had a relatively narrow base, VAT covers a wider spectrum of taxable items because it applies not only to consumable goods but also to professional and other service sectors, thereby generating higher and more sustainable revenue for the government.

The responsibility for administering and collecting VAT rests solely with the Federal Inland Revenue Service (FIRS). Initially, the rate was set at 5% of the value of goods and services supplied, and this rate remained unchanged for decades, making it one of the lowest VAT rates

globally. However, in February 2020, the Federal Government reviewed the tax upward to 7.5%, aligning it more closely with international practices and the growing financial needs of the nation.

Since its introduction, VAT has proven to be a reliable and consistent source of revenue for the Nigerian Federation, supplementing federal, state, and local government budgets. Because of this, there have been several attempts to further increase the rate to about 10%, but such proposals have often been met with strong public resistance due to the fear that higher VAT would worsen the cost of living, especially for low and middle income households.

The underlying rationale for adopting VAT went beyond revenue generation. It was motivated by the desire to:

1. Broaden national income sources by reducing Nigeria's heavy dependence on crude oil sales, which expose the economy to fluctuations in the volatile global oil market.
2. Support government expenditure by providing a steady stream of funds to finance public services and infrastructure projects.
3. Promote equity in taxation as VAT ensures that all consumers, regardless of income level, contribute to national revenue based on their consumption.
4. Discourage excessive luxury consumption by imposing tax on non-essential items often consumed by the wealthy, thereby helping to narrow the wealth gap.
5. Stabilize economic planning since VAT provides a more predictable and diversified source of funding compared to oil revenues.

In summary, the introduction and gradual adjustment of VAT in Nigeria reflect an effort to build a more resilient and equitable tax system, one that is capable of addressing the country's fiscal challenges while ensuring fairness and reducing economic inequality.

Revenue collection from direct and indirect taxes, as well as social contributions, are the main goals of governments everywhere. A fixed percentage of the final product sale price is paid by VAT, or indirect consumption tax, which is applied to the value added to a product at each stage of the production and distribution cycle. VAT is also applied to the difference between the asset's purchase price and its sale price⁷. VAT is imposed at every stage of production and the movement of goods through the product, the wholesaler, the retailer, and the consumer who ultimately bears the burden. VAT is a source of government revenue in most developing countries. Thus VAT has significant role in the revenue system of government of Nigeria to sustain its role for the generation of revenue, it's important to ensure that the revenue generated by VAT system should be efficient as possible. VAT collection is the highest of budget revenue from the type of indirect tax and largest part of tax collection budget.

In many parts of the world today, especially in developing nations such as Nigeria, governments have increasingly adopted modern taxation schemes as a means of expanding their revenue base, improving the socioeconomic conditions of their citizens, and driving sustainable national economic growth. Among these schemes, the Value Added Tax (VAT) stands out as one of the most effective forms of indirect taxation. Globally, VAT has consistently demonstrated positive outcomes in terms of revenue mobilization, economic development, and price stability across the countries where it has been introduced.

In Nigeria, VAT has evolved into a central pillar of government financing, providing crucial support not only for the federal government but also for the state governments that rely on shared revenues to sustain their operations. Beyond serving as a tool for enhancing national income, the Nigerian government has also adjusted VAT rates over time to address pressing economic challenges. The most notable adjustment occurred in 2020, when the VAT rate was increased from 5% to 7.5%. This increment was not only aimed at strengthening the national revenue base but also at discouraging the consumption of certain products deemed harmful to public health and overall societal well-being.

The legal framework establishing VAT provides clear guidelines regarding the types of goods and services subject to taxation and those exempted. For example, some essential food items are VAT-exempt in order to shield the poor and vulnerable from additional financial strain. Furthermore, businesses dealing in VAT-liable goods or services are legally required to register with the Federal Inland Revenue Service (FIRS), ensuring transparency and compliance in the collection process. The goal of this structure is to ensure that the 7.5% VAT is collected fairly and systematically on eligible goods and services.

However, in practice, several challenges have undermined the effectiveness of the VAT system in Nigeria. For instance, reports indicate that market women now impose VAT charges on basic food commodities, which should ordinarily be exempt from the tax. Similarly, some hotels and landlords have also started charging VAT outside the stipulated provisions of the law⁸. Such practices are clear violations of VAT regulations but continue to persist due to weak enforcement mechanisms and limited consumer awareness.

As a result, there is a growing concern among citizens that VAT is gradually being extended to cover virtually all aspects of daily life, including essentials. This has led to public skepticism and mistrust, with many Nigerians questioning whether the government truly prioritizes the welfare of its people. The perceived overreach of VAT has also been associated with wider socioeconomic challenges such as inflation, rising fuel pump prices, and the increased cost of living, which ultimately place a disproportionate burden on low and middle income earners.

Since the success of any public policy is measured not only by its ability to generate revenue but also by its impact on citizens' welfare, the growing dissatisfaction surrounding VAT has become a serious issue of national debate. Nigerians' lived experiences suggest that VAT, as currently implemented, risks undermining household purchasing power and overall consumer confidence.

Against this backdrop, this study seeks to empirically investigate the impact of Value Added Tax on consumer behavior in Nigeria, with particular attention to the gap between its intended purposes such as revenue generation and social regulation and its real effects on the everyday lives of ordinary Nigerians.

1.2 Statement of Problem

Consumer behavior refers to the psychological and behavioral processes individuals undergo in identifying their needs, determining how best to satisfy them, and making purchasing decisions. These decisions may involve choosing whether to buy or not to buy, selecting a particular brand, or deciding on where and when to purchase a product or service. Understanding consumer behavior is central to economic studies because consumption patterns reflect not only individual preferences but also broader social and economic dynamics.

At the national level, every country aspires to achieve sustainable economic growth and development, which entails creating systems that uphold the social, economic, political, and institutional structures necessary for maintaining stability and improving the quality of life for its citizens. A critical component of this process is taxation, which provides the government with a stable and predictable stream of revenue to finance public expenditures, infrastructure, and social services. Without taxation, it would be nearly impossible for governments to meet their obligations or sustain economic progress.

In Nigeria, the introduction of the Value Added Tax (VAT) has become one of the major instruments for raising revenue. However, VAT is an indirect tax levied on the consumption of goods and services, and its imposition inevitably raises the prices of those goods and services. This price adjustment has a direct influence on consumer behavior, as individuals and households must reconsider their spending patterns both before and after purchase decisions. For example, some consumers may delay purchases, reduce quantities bought, substitute with cheaper alternatives, or avoid certain goods altogether when VAT raises their costs.

Essentially, VAT functions as a consumption tax. By increasing the prices of taxable items, it effectively reduces consumers' real income, since households must now spend more to acquire the same goods and services. This effect is particularly significant for low-income households, who spend a larger portion of their income on essential goods. Consequently, while VAT is designed to boost national revenue, it can inadvertently limit the purchasing power of the poor.

To mitigate this regressive impact, many countries including Nigeria exclude certain basic goods and services from VAT. In Nigeria, these exemptions cover staple food items, educational materials, medical and pharmaceutical products, and postal services, among others. These

exemptions are intended to protect vulnerable groups and ensure that the tax system remains somewhat equitable.

Despite these safeguards, VAT remains a subject of debate and contention. Proponents argue that it is a reliable and efficient revenue-generating tool, helping governments reduce overreliance on volatile resources such as crude oil. They also highlight its relatively broad tax base, which captures both goods and professional services, thus ensuring wider participation in national development. Critics, however, point out that VAT is proportional rather than progressive, meaning that it takes a relatively larger share of income from the poor compared to the wealthy. This, they argue, contributes to higher living costs, reduces access to essential commodities, and could exacerbate income inequality.

Given these competing perspectives, it becomes crucial to empirically investigate the effect of VAT on consumer behavior, particularly within Nigeria's Southwest region. This region provides an important context for analysis due to its large population, diverse economic activities, and vibrant markets. Understanding how VAT influences consumers' expenditure patterns, purchasing decisions, and overall welfare in this region will provide insights not only into the effectiveness of the tax system but also into how it shapes broader issues of economic equity, social justice, and sustainable development.

1.3 Aim and Objectives of the Study

The main objective is to examine Value Added Tax implementation and Consumer Behavioural needs in Southwest, Nigeria while the specific objectives are to;

- i. examine the impact of Value Added Tax on Consumer Behaviour in Southwest, Nigeria;

- ii. investigate the level of equitable taxation implemented on Consumers Behaviour in Southwest, Nigeria;
- iii. determine how individual financial capability affects Consumers Behaviour in Southwest, Nigeria;

1.4 Research Questions

1. How does Value Added Tax affect Consumer Behaviour in Southwest, Nigeria?
2. What is the relationship between equitable taxation and consumers behaviour in Southwest, Nigeria?
3. To what extent does individual financial capability influence consumer in Southwest, Nigeria?

1.5 Hypotheses

These null hypotheses will be tested at 0.05 significance level

- H₀1:** There is no significant impact of Value Added Tax on consumer behaviour in Southwest, Nigeria.
- H₀2:** There is no significant relationship between equitable taxation and consumer behaviour in Southwest, Nigeria.
- H₀3:** There is no significant influence of individual financial capability on consumer behaviour in Southwest, Nigeria.

1.6 Scope of the Study

This study is delimited to examining the influence of Value Added Tax (VAT) implementation on consumer behavioural needs within Southwest Nigeria. The geographical

focus on this region is informed by its high level of commercial activity, diverse consumer base, and significant contribution to national economic output, which collectively provide a suitable context for understanding how tax induced price changes shape consumption patterns. Although the selected companies operate nationally, their business activities within Southwest Nigeria reflect the broader behavioural responses of consumers in the area, thereby making the region an appropriate setting for the investigation.

In terms of content, the study centres on consumer behavioural needs such as price sensitivity, expenditure adjustments, preference shifts, and overall consumption choices in relation to VAT implementation. It explores how VAT related changes in product prices influence purchasing behaviour across essential and non-essential goods and services. The study further considers how the operational activities of the selected firms interact with VAT policies, thereby affecting consumer response within the marketplace.

The population for the study comprises the seven consumer goods and services sectors listed on the Nigerian Stock Exchange. From this population, the study purposively selected companies such as Dangote Sugar Refinery, Flour Mills of Nigeria, ABC Transport, BUA Foods, BUA Cement, Cadbury Nigeria, and Berger Paints. These firms were chosen because of their relevance to consumer consumption baskets and the availability of consistent financial and operational data required for meaningful analysis. Their performance indicators serve as proxies for observing changes in consumer demand and spending behaviour under varying VAT conditions.. Methodologically, the study adopts a quantitative research design that relies entirely on secondary data. Financial statements, annual reports, and market disclosures

of the selected companies constitute the primary data sources. The study employs ratio analysis and descriptive statistical techniques to examine trends and infer the relationship between VAT implementation and consumer-related indicators. This analytical approach provides an objective basis for evaluating how changes in VAT may affect market performance and, by extension, consumer behaviour.

1.7 Significance of the Study

The following are some reasons that this study might be important to the several stakeholders (government, academic institutions, and society):

It would give the government agency responsible for VAT implementation and revenue generation (FIRS) strategic information on how to implement a regular VAT collection policy to improve their performance, such as making it equitable for both the wealthy and the general public by taking into account their financial capabilities. Additionally, by implementing policies that would boost revenue production and take into account individuals' buying power, the government, through the CBN, would be able to promote economic growth and productivity by enhancing sustainable development.

In addition, this study aims to bridge existing gaps in the body of knowledge on consumer behavior in Nigeria, particularly as it relates to taxation policy. Specifically, it will empirically test a conceptual model that examines the relationship between Value Added Tax (VAT) and consumer behavior, thereby contributing to the relatively limited body of empirical research in this field. By focusing on the impact of VAT adoption in Southwest Nigeria, the study not only

adds to ongoing academic discourse but also provides a regional perspective that can be used to inform national policy.

Furthermore, the study seeks to advance the frontier of knowledge by generating new insights that will serve as valuable reference material for students, scholars, and policymakers. It will also establish a foundation for future research in the fields of accounting, economics, and finance, particularly in areas related to taxation, consumer welfare, and public policy analysis. This contribution is especially significant given the dynamic nature of Nigeria's fiscal policies and the need for continuous evaluation of their socioeconomic effects.

1.8 Limitation of the Study

Like most empirical research, this study was not without its challenges. One of the major difficulties encountered was accessing relevant and reliable data from company reports, as not all firms provided complete or readily available records. Additionally, poor internet connectivity in certain instances created barriers to retrieving online data and accessing secondary sources.

Time was another constraint, as the process of collecting, compiling, and analyzing data required substantial effort within a limited research timeframe. Financial limitations also posed a challenge, given the costs associated with obtaining materials, traveling for data collection, and securing access to certain databases.

Despite these limitations, the research was successfully carried out, and the findings remain valid and significant. The challenges encountered do, however, highlight the need for improved access to company reports, better digital infrastructure, and increased support for academic research in Nigeria, all of which would enhance the quality and depth of future studies in this field.

1.9 Operational Definition of Terms

Consumer Behaviour: This includes the decisions made by Nigerian residents (consumers) before to and influencing their actions, as well as the actions of those directly involved in acquiring, utilizing, and discarding commercial products and services.

Equitable taxation: This is the concern about the fairness of how Value Added Tax (VAT) burden is distributed among consumers in Nigeria.

Individual Financial Capability: This implies the internal capacity to act in one's best financial interest, considering VAT given socioeconomic environmental conditions of Nigeria.

Physiological Needs: These include the needs that are necessary for human survival, such as air, food, drink, shade, clothes, and rest.

Security Needs: These include the needs that endow an identity with a sense of wealth and security among consumers in Nigeria. Security requirements include private protection, healthy finances, excellent health, and insurance against errors, harm, and their negative effects.

Social Needs: These are also known as connection, having a place, the desire to perceive an emotion having a place, and recognition. In order for people to not feel alone, friendless, or helpless, human needs are vital. Relationships, friendships, and kinships all serve to meet social demands among Nigeria citizens.

Value Added Tax: A fixed percentage of the final product sale price is paid by this indirect consumption tax, which is applied to the value added to a product at each stage of the production and distribution cycle. In Nigeria, VAT is applied to the difference between the asset's purchase price and its market value.

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Endnotes

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Chapter Two

Literature Review

This chapter reviewed related literature that enabled the researcher broaden her understanding on the research problem. The chapter is presented under the following headings:

2.1 Conceptual Review

2.1.1 Concept of Consumer Behavioural Needs

Consumer is the study “of the processes involved when individuals or groups select, purchase, use, or dispose of products, services, ideas, or experiences to satisfy needs and desires¹. In the accounting context, the term ‘consumer ’ refers not only to the act of purchase itself, but also to patterns of aggregate buying which include pre-purchase and post-purchase activities. Pre-purchase activity might consist of the growing awareness of a need or want, and a search for and evaluation of information about the products and brands that might satisfy it. Post-purchase activities include the evaluation of the purchased item in use and the reduction of any anxiety which accompanies the purchase of expensive and infrequently-bought items. Each of these has implications for purchase and repurchase and they are amenable in differing degrees to marketer influence. Consumer behaviour are those acts of individuals directly involved in obtaining, using, and disposing of economic goods and services, including the decision processes that precede and determine these acts¹. Simple observation provides limited insight into the complex nature of consumer choice and researchers have increasingly sought the more sophisticated concepts and methods of investigation provided by behavioural sciences in order to understand, predict, and possibly control consumer behaviour more effectively. Psychology, social psychology, and

sociology are the disciplines most widely employed in this endeavour which has become a substantial academic industry in its own right.

Consumer behavior refers to the different aspects of the consumer's consumption choices. Consumers do make some decisions on the choices for instance to consume or not to consume a given product. Consumer behavior is an aspect of the daily life styles that concerns diet and food. This aspect is always subject to some changes and to some variations that reflect the specific needs of every consumer. Consumer behaviour is about human responses in a commercial world. People consume things and also consume and buy these products according to their needs, preferences and buying power and these can be consumable goods, durable goods, specialty goods or, industrial goods. For example he demonstrate this, what we buy, how we buy, where and when we buy, in how much quantity we buy depends on our perception, self-concept, social and cultural background and our age and family cycle, our attitudes, beliefs values, motivation, personality, social class and many other factors that are both internal and external to us. While buying, we also regard as whether to buy or not to buy and, from which source or seller to buy².

Consumer behaviour is the study of how individual customers, groups or organizations select, buy, use, and dispose ideas, goods, and services to satisfy their needs and wants. It refers to the actions of the consumers in the marketplace and the underlying motives for those actions. Marketers expect that by understanding what causes the consumers to buy particular goods and services, they will be able to determine which products are needed in the marketplace, which are obsolete, and how best to present the goods to the consumers. The study of consumer behavior assumes that the consumers are actors in the marketplace. The perspective of role theory assumes that consumers play various roles in the marketplace. Starting from the information provider, from the user to the payer and to the disposer, consumers play these roles in the decision process.

Consumer behaviour is the actions and decision processes of people who purchase goods and services for personal consumption. Consumer behaviour is the decision process and physical activity, which individuals engage in when evaluating, acquiring, using or disposing of goods and services³.

Every man is a consumer, and ought to be a producer. He is by constitution expensive, and needs to be rich⁴. The study of Consumer behaviour is one of the most important in business education, because the purpose of a business is to create and keep customers. Consumers are created and maintained through marketing strategies. The quality of marketing strategies depends on knowing, serving, and influencing consumers. This suggests that the knowledge and information about consumers is critical for developing successful marketing strategies because it challenges the marketers to think about and analyze the relationship between the consumers and marketers, and the consumer behaviour and the marketing strategy. Consumer behavior is the study of how people make decisions about what they buy, want, need, or act in regards to a product, service, or company. It is critical to understand consumer behavior to know how potential customers will respond to a new product or service. It also helps companies identify opportunities that are not currently met.

Consumer behaviour principles are applied in many areas such as: Analyzing market opportunity; Consumer behaviour study helps in identifying the unfulfilled needs and wants of consumers. This requires examining the trends and conditions operating in the marketplace, consumers' lifestyles, income levels and emerging influences. This may reveal unsatisfied needs and wants. the trend towards increasing number of dual income households and greater emphasis on convenience and leisure have led to emerging needs for household gadgets such as washing machine, mixer grinder, vacuum cleaner and childcare centres etc. Mosquito repellents have been

marketed in response to a genuine and unfulfilled consumer need. Selecting target market; a review of market opportunities often helps in identifying distinct consumer segments with very distinct and unique wants and need. Identifying these groups, learning how they behave and how they make purchase decisions enables the marketer to design and market products or services particularly suited to their wants and needs⁵.

Marketing mix decisions; once unsatisfied needs and wants are identified, the marketer has to determine the right mix of product, price, distribution and promotion. Here too, consumer behaviour study is very helpful in finding answers too many perplexing questions. Product: The marketers design the product or service that should satisfy unfulfilled needs or wants. Further decisions regarding the product concern to size, shape and features. The marketer has also to decide about packaging important aspects of service, warranties and accessories etc. Nestle first introduced Maggie noodles in masala and capsicum flavours. Subsequently, keeping in view the consumer preferences in some regions, the company introduced garlic, Shabhar and other flavours. Price: The second important component of marketing mix is price. Marketers must decide what price to charge for the product or service. These decisions will influence the flow of revenue to the company. Should the marketer consumer price sensitive and would a lower price stimulate sales? Should there be any price discounts? Do consumers perceive lower price as being indicative of poor quality? To answer such questions, the marketer must understand the way the company's product is perceived by consumers, the importance of price as a purchase decision variable and how different price levels would affect sales. It is only through consumer behavior study in actual buying situations that the marketer can hope to find answers to these important issues.

Distribution; the next decision relates to the distribution channel, that is, where and how to offer products and services for sale. Should the products be sold through all the retail outlets or only through selected ones? Should the marketer use only the existing outlets, which also sell competing brands, or should new exclusive outlets selling only the marketer's brands be created? Is the location of retail outlets important from consumers' point of view? Should the company think of direct marketing? The answers to these questions are furnished by consumer behaviour research. Promotion; promotion is concerned with marketing communications to consumers, the more important methods are advertising, personal selling, sales promotion, publicity and direct marketing. The marketer has to decide which method would be most suitable to effectively reach the consumers. Should it be advertising alone or should it be combined with sales promotion? The company has to know the target consumers, their location, what media do they have access to and what are their media preferences, etc. In most cases of industrial products there is very little or no advertising. Brochures containing technical specifications are often posted to the clients and the salespeople make follow-up visits. Consumer products get the maximum share of advertising. Pharmaceutical industries exclusively use personal selling for prescription drugs. Insurance companies use both advertising and personal selling⁵.

Understanding consumer behaviour is important for any organization before launching a product. If the organization failed to analyse how a customer will respond to a particular product, the company will face losses. Consumer behaviour is very complex because each consumer has different mind and attitude towards purchase, consumption and disposal of product⁶. Understanding the theories and concepts of consumer behaviour helps to market the product or services successfully. Moreover, studying consumer behaviour helps in many aspects. As there is constant change in the living standards, trend, fashion and change in technology; consumer's

attitude towards the purchase of product varies. Understanding these factors is of utmost importance because the marketing of product are largely dependent on these factors. Thus, consumer behaviour serves as a successful tool for marketers in meeting their sales objectives. Consumer Behaviour is referred to the behaviour that is displayed by the individual while they are buying, consuming or disposing any particular product or services. These behaviours can be affected by multiple factors. Moreover, it also involves search for a product, evaluation of product where the consumer evaluate different features, purchase and consumption of product. The customers while buying a product goes through many steps. The study of consumer behaviour helps to understand how the buying decision is made and how they look for a product. Moreover, the understanding consumer behaviour also helps marketers to know the what, where, when, how and why of the consumption of product consumption. These help marketers or organizations to know the reason behind the purchase of product by consumers and how it satisfies them. Among other factors, the basic needs like shelter and hunger along with craving for psychological fulfillment tends consumer to buy a certain product or services.

The main purpose behind marketing a product is to satisfy demands and wants of the consumers. Study of consumer behaviour helps to achieve this purpose. As consumers are the most important person for marketer or sales person, therefore it is important for them to consider the likes and dislikes the consumers so that they can provide them with the goods and services accordingly⁷. The more careful analysis helps in more exact prediction about the behaviour of consumers of any product or services. The study of consumer behaviour helps business manager, sales person and marketers in the following way; to design the best possible product or service that fully satisfies consumer's needs and demands, to decide where the service or product would be made available for easy access of consumers, to decide the price at which the consumers would be

ready to buy that product or service, to find out the best method of promotion that will prove to be effective to attract customers to buy a product, to understand why, when, how, what and other factors that influence buying decision of the consumers.

It is important for marketers to study consumer behaviour. It is important for them to know consumers as individual or groups opt for, purchase, consumer or dispose products and services and how they share their experience to satisfy their wants or needs. This helps marketers to investigate and understand the way in which consumers behave so that they can position their products to specific group of people or targeted individuals. In regard to the marketer's view point, they assume that the basic purpose of marketing is to sell goods and services to more people so that more profit could be made. This principle of making profits is heavily applied by almost all marketers. Earlier, the marketers were successful in accomplishing their purpose. However, today, as the consumers are more aware about the use of product and other information of the product, it is not easy to sell or attract customer to buy the product. Thus, in order to sell a product or service or to convince consumers to buy product, the marketers have to undergo through proper research to win them over⁸. The following are some of the points discussed that explains the value to marketers of understanding and applying consumer behaviour concepts and theories, to understand Buying Behaviour of consumers, to create and retain customers through online stores, to understand the factors influencing Consumer's buying behavior, to understand the consumer's decision to dispose a product or services, to increase the knowledge of sales person influence consumer to buy product, to help marketers to sale of product and create focused marketing strategies

The study of consumer behaviour helps marketers to recognize and forecast the purchase behaviour of the consumers while they are purchasing a product. The study of consumer

behaviour helps the marketers not only to understand what consumer's purchase, but helps to understand why they purchase it. Moreover, other questions like how, where and when they purchase it are also answered. The consumption and the reasons behind disposition of that particular product or services help marketers to be fully aware of the product that is marketed. The consumer behaviour studies also help marketers to understand the post purchase behaviour of the consumers. Thus, the marketers become fully aware about every phase of consumption process i.e., pre-purchase behaviour, behaviour during purchase and post purchase behaviour. Many studies in the past shows that each consumer behaves differently for a product i.e., they buy the product for different reasons, pays different prices, used the product differently and have different emotional attachments with the product⁹.

Consumer behaviour is of most importance to marketers in business studies as the main aim is to create and retain customers. If the consumers are satisfied with the product, he or she will buy the same product again. Therefore, the product should be marketed by markers in such a way that convince customer to buy the product. Thus, creating customer and the retaining those customers are important. These can be done through understanding and paying close attention towards the consumer's behaviour while making purchase decision or buying a product in market place. Moreover, the information published on the websites largely influences the customer's buying behaviour. Such information on published sources arouse consumer to buy a product or service. Moreover, updating such information will help the consumer to retain to a product or re try the product if the product has dissatisfied them¹⁰.

It is important for marketers to consider the factors that affect the behaviour of consumer before entering the market. There are many factors that can influence the purchase decision of consumers such as social influence, cultural influences, psychological factors and personal

factors. Understanding these factors helps marketers to market the product on right time to the right consumers. For example, if marketer is marketing a product which is Halal. The marketers first consider all the factors that can influence consumers to buy Halal products, where they can target specific areas where Halal food is more sold. The marketers need to pay attention to cultural influences such as religion, values and norms of the people or societies targeted and lifestyle of the targeted consumers. The marketers can propose different strategies that convince the targeted consumers to buy marketed products or services¹⁰.

Moreover, the marketers should ascertain the factors that influence and affects purchase decision of consumers. If the marketers failed to understand the factors that might influence consumers, they will fail to convince the consumer to purchase that product or will fail to meet the demands of consumers. Some variables cannot be directly observed. In such case, thorough understanding of concepts and theories of consumer behaviour helps marketers to predict the consumer's buying behaviour to a reasonable extent. Thus, understanding consumer's behaviour to buy a product is complex and requires marketers to continuously understand and apply various concepts and theories for successful marketing¹¹.

All the products and services marketed revolve around the behaviour of consumers that how they will respond to them. Effective marketing of a product by sales people may help to deliver right product to right people. Consumer behaviour deals with the knowledge of what the consumers need and want to buy and what goods and services are available to satisfy their needs. Thus, consumer behaviour deals with particularly with the behaviour of people i.e., consumers. It is important for sales person to be fully aware of the customer's requirement so that he or she could clearly communicate the benefits of the product to the customers. Moreover, the sales person by understanding consumer's demand and need for a product can sell goods that are most closely

related to their requirement. Besides understanding consumer behaviour, the sales person should also have command over their spoken language. This is because any miscommunication could harm brand reputation. Moreover, if the consumers have more knowledge about the product than the sales person, the sales might fail to meet their targets. Thus, analysing consumer's behaviour and knowledge for effective marketing of products by sales people are important. The sales people must be fully aware of the consumer's behaviour in different situations so that they could help them in meeting their demands and satisfaction.

Disposal of product involves throwing away of products by the consumers. This behaviour of consumer is very complex and requires more importance by the marketers. Understanding the consumer's behaviour about how and when consumers dispose a product, the marketers or the companies can position themselves so that this behaviour could be limited. If the product or services that have failed to deliver required or expected satisfaction by the consumers, the product is disposed by the customers. For this, some marketers track the follow up from the consumers so that they can gauge the reason behind failure of the product. Moreover, in order to retain customers, some marketers or organizations offer customers with services like exchange of product, money back guarantee etc. Although, these tools are helpful to influence post purchase behaviour of consumers to some extent. The method of disposition varies transversely from product to product. Some of the factors that lead to consumer's behaviour to dispose a product include psychological characteristics, situational factors or the intrinsic factors of product. The psychological characteristics include attitude, mood, emotion, social class, social conscience, perception etc. The situational factors such as urgency, functional use, fashion change etc. and intrinsic factors such as product style, durability, reliability, adaptability, replacement cost, colour, size etc. can lead to consumer's decision to dispose a product¹². For example, the personal

computers sold previously were largely demanded by consumers. However, due to change in size, advancing technology, affordability, convenience; most people have switched to laptops and mobiles with operating systems have disposed personal computers to a greater extent.

The theories and concepts of consumer behaviour help marketers to optimize their sales and to create efficient marketing strategies. Moreover, these theories provide marketers with information on the consumer's behaviour to spend money, likely causes that incline them to spend more money on a product, and these two information help to plan strategies that should be practiced by the marketers for successful marketing of a product. Studying different consumer behaviour theories helps to understand the different choices that consumers make to buy a product. There are some factors that need to be carefully analyzed by the marketers which help them to increase their sales and develop effective marketing strategies¹². These factors are discussed as follows:

Consumer's rational behaviour is foremost important for a marketer to understand the situations where consumers behave rationally. Many consumer behaviour theories suggest that the consumers want to get maximum benefit and satisfaction from the product by spending minimum amount of money. This shows that consumers do not spend all their money to buy a product and keeps a certain amount of money as their savings. However, on the other hand, the consumers having limited money spend all their money on purchase of their basic needs such as shelter, food and clothing. Thus, the marketer must carefully analyse these two situations of consumers before marketing a product or services. Consumer's taste and preferences; understanding consumer taste and preferences helps marketers to revamp their product so that they could meet customer satisfaction. These factors may change from time to time. The change in consumer's behaviour affecting by these factors should be carefully monitored. The marketers need carefully

understand the consumer's interest in the products by breaking down the targeted consumers into demographics, like age, occupation and location as they contribute investigating information about consumer preferences.

Price of Products; prices of products are a widely discussed factor in consumer behavior theories. The theories suggest that marketers should keep their prices low without affecting the quality to attract consumers. This is because consumers go mostly for products that are of low price but satisfies their demand. Increased number of features offered by the product tends to increase the price of products. In such case, consumers go for added features in a product at affordable price. Therefore, the markers design their products in such a way that the product gives maximum value or features to consumers at affordable price¹³. Consumer's knowledge about a product: The marketer must know to what extent the consumers have knowledge about a product. Mostly, consumers select products with which they are familiar with. For example, if the consumers are aware of the health effects of eating high fat food or fast food, marketing of such a product to health conscious consumer will end up in failure. In a nutshell, consumer behaviour theories and concepts are of most importance to the sales people or the marketers. As products are made to cater consumer's needs and demands, therefore, the products should be carefully marketed for the successful achievements of organizational goals. The study of consumer behaviour helps them in analysing different factors that has influence on the buying decision of the consumers. If the marketers failed to understand these factors, they would not meet their targets.

Consumer involvement is the state of mind that motivates a consumer to make a purchase or the importance a consumer places on a product or service. There are different levels of involvement a consumer can have in the decision-making process and factors that influence that involvement¹⁴. Low Involvement are decisions that are considered habitual decisions. These are products or

services that a person buys on a regular basis and does not have to do any research on. For example, a low-involvement decision can include groceries, laundry detergent, and household items that are purchased all the time and the consumer already knows what they want to buy. High Involvement; typically, the more money a consumer is going to spend on a product, the more involved they will be in the decision-making process. These types of purchases can be expensive jewelry, vacations, cars, and houses. These types of decisions take time and require research. The consumer will not make the decision in an instant, but instead will compare products or services and eliminate their risk¹⁴.

Purchasing power of a consumer plays an important role in influencing the consumer behavior. The consumers generally analyze their purchasing capacity before making a decision to buy and products or services. The product may be excellent, but if it fails to meet the buyers purchasing ability, it will have high impact on its sales. Segmenting consumers based on their buying capacity would help in determining eligible consumers to achieve better results. Understanding, analyzing and keeping track of consumer behavior is very critical for a marketing department to retain their position successfully in the market place¹⁴.

Group influence is also seen to affect the decisions made by a consumer. The primary influential group consisting of family members, classmates, immediate relatives and the secondary influential group consisting of neighbors and acquaintances are seen have greater influence on the purchasing decisions of a consumer. Say for instance, the mass liking for fast food over home cooked food or the craze for the SUV's against small utility vehicle are glaring examples of the same. At the personal level, consumer behavior is influenced by various shades of likes, dislikes, priorities, morals and values. In certain dynamic industries such as fashion, food and personal care, the personal view and opinion of the consumer pertaining to style and fun can become the

dominant influencing factor. Though advertisement can help in influencing these factors to some extent, the personal consumer likes and dislikes exert greater influence on the end purchase made by a consumer.

Consumer spending decisions are known to be greatly influenced by the economic situation prevailing in the market. This holds true especially for purchases made of vehicles, houses and other household appliances. A positive economic environment is known to make consumers more confident and willing to indulge in purchases irrespective of their personal financial liabilities. Advertisement plays a greater role in influencing the purchasing decisions made by consumers. They are even known to bring about a great shift in market shares of competitive industries by influencing the purchasing decisions of consumers. The Marketing campaigns done on regular basis can influence the consumer purchasing decision to such an extent that they may opt for one brand over another or indulge in indulgent or frivolous shopping. Marketing campaigns if undertaken at regular intervals even help to remind consumers to shop for not so exciting products such as health products or insurance policies. The marketers try to understand the actions of the consumers in the marketplace and the underlying motives for such actions. These motives are the factors that influence the consumer behavior¹⁵. The human psychology plays a crucial role in designing the consumer's preferences and likes or dislikes for a particular product and services. Some of the important psychological factors are: motivation, perception, learning, attitudes and beliefs.

2.1.2 Concept of Value Added Tax

Taxation in Nigeria started with Personal Income Tax in 1904, when Lord Lugard introduced income tax in the northern part of Nigeria. Community tax became operative through the

Revenue Ordinance of 1904¹⁶. In 1917, after the amalgamation of the northern and southern protectorates, the 1904 Revenue Ordinance was replaced by the Native Revenue Ordinance of 1917. Furthermore, the provisions of the 1917 ordinance were amended in 1918 and extended to southern Nigeria particularly, the west and the Midwest and subsequently, to eastern Nigeria, in 1928. Taxation has been in existence in Nigeria before the advent of the British rule in 1861: particularly in the North where there was an efficient and stable administration based on Islamic system¹⁶. Taxation is used as an instrument of economic regulation for the purpose of discouraging or encouraging certain forms of social behavior. Tax is used to raise money for the provision of services such as defense, health services, education, etc; to re-distribute income and wealth. That is, the rich pay more tax than the poor. This is achieved by the graduation or “progressiveness” of the rates at which the taxes are levied; to discourage the consumption of harmful goods such as alcohol and cigarettes; to harmonize diverse trade or economic objectives of different countries so as to provide for the free movement of goods/services, capital and people between member states; for the management of the economy¹⁷.

Taxation plays a very important role in the economic life of a developing country like Nigeria. Nigeria needs an efficient tax system to be able to function well. Taxation is seen as a burden which every citizen must bear to sustain his or her government because the government has certain functions to perform for the benefits of those it governs. Taxation is the most important source of income to the government, it accounts for ninety percent or more of their income. Tax is “a compulsory levy imposed on a subject or upon his property by the government to generate the needed revenue for the provision of basic amenities and create enabling condition or the economic wellbeing of the society”¹⁸. These levies are made on personal income, such as salaries, business profits, interests, dividends, discounts and royalties. It is also levied against company’s

profits petroleum profits, capital gains and capital transfer. Taxation is a concept and the science of imposing tax on citizens¹⁹. Tax is itself a compulsory levy which is required to be paid by every citizen. It is generally considered as a civic duty. The imposition of taxation is expected to yield income which should be utilized in the provision of amenities, both social and security and creates conditions for the economic wellbeing of the society.

Tax administration in Nigeria is carried out by the various tax authorities as established under the relevant tax laws²⁰. According to the report of the presidential committee on National Tax policy, the National tax policy provides a set of rules, modus operandi and guidance to which all stakeholders in the tax system must subscribe. Tax policy formulation in Nigeria is the responsibility of the Federal Inland Revenue Services (FIRS), Customs, Nigerian National Petroleum Corporation (NNPC), National Population Commission (NPC), and other agencies but under the guidance of the National Assembly i.e. the law making body in Nigeria²⁰. Suffice it to say that if there must be any effective implementation of the Nigerian tax system or attainment of its goal, the use of the national tax policy document remain absolutely essential. Nigeria needs a tax policy which does not only describe the set of guiding rules and principles, but also provide a stable point of reference for all the stakeholders in the country and upon which they can be held accountable. The inability of tax policy to meet up with efficiency and equity criteria against which it is being judged. It was further noted that tax policy is continually subjected to pressure and changes which most time does not guarantee outcome that are in line with the overall goal²¹. Unfortunately, most policy changes in Nigeria are without adequate consideration of the taxpayers, administrative arrangement and cost plus the existing taxes. This has in no small measure hindered the effective implementation and goal congruence of the nation's tax system. The best approach to reforming taxes is one that takes into account taxation theory, empirical

evidence and political and administrative realities and blend them with good dose of local knowledge and a sound appraisal of the current macroeconomics and international situation to produce a feasible set of proposals sufficiently attractive to be implemented and sufficiently robust to withstand changing times, with reason and still produce beneficial results²².

Tax is a compulsory payment made by all concerned to the government of a country from which essential services are rendered, without necessarily offering an explanation on how the money generated was spent or equating the services with the money collected. Tax is a mandatory charge by the government on her citizens, corporate organizations, produce and service to raise income for its activities and to encourage social justice through redistribution of revenue consequence of taxes²³. Taxation is a compulsory levy imposed by government, it must be for the common good and benefit of the citizens. In today's global market, all companies and individuals are required to pay taxes. The main reason behind government impose taxes is to stabilise the country in with regards to redistribution of resources and revenue between the wealthy and the underprivileged members of the society. Currently, there is a worldwide transfer in model, where the focal point is changing from direct taxation to indirect taxation policy development. These circumstances resulted to the implementation of the Value Added Tax as alternative sources of income to the government. Value Added Tax was indisputably the most unexpected advance of the twenty first century with regard to tax guiding principle. No other taxes, not even the income tax or the Sales Tax, have made such quick and repaid impact to the extent that VAT now exists in over 150 countries around the world, including Nigeria and other African countries. This is so because VAT is considered an important source of government revenue and evidence has shown that it is not only the least distorting tax, but also easily administered in most countries. Every country now makes use of VAT and each year sees a new continent adopting it²³.

On the importance of VAT, it is assumed added impetus during the 1970s and 1980s when many developing and transitional countries enacted VAT as part of their Fiscal Structures²⁴. During this period, VAT system formed a major innovation in these countries tax systems. Fiscal issues were more important in developing and transitional countries (DTC) than the Value Added Tax. Over the last few decades, VAT has swept the world. The main reason for the rapid worldwide adoption of VAT has been attributed to its early adoption by the European Union (E.U), following its introduction by France in 1954²⁴. The other reason is the key role of the International Monetary Fund (IMF) in propagating the message of VAT to developing nations. In his words: “The consistent support and advocacy of this form of taxation by the International Monetary Fund (IMF) and others in a variety of countries, first in Latin America and then around the world, encouraged and facilitated the adoption of VAT by countries with much less developed economic and administrative structures than those in the original E.U member states”.

The rationale behind the adoption of VAT in Nigeria can be summarized as the need to achieve the following objectives; simplification of indirect tax system, enhancement of tax neutrality in international trade, reduction in tax evasion, expansion of tax base promotion and investment. The points above were further stressed that due to the fact that he argued that expenditure tax, such as Value Added Tax, is increasingly being favoured as a tax base over revenue and related things²⁵. The introduction of VAT in Nigeria as an instrument for balance of payments engineering was introduced, by encouraging exports through zero-rating of exporting goods. When it became obvious that oil revenue alone can not sustain the Nigerian economy, the necessity to diversify the Nigerian economy became imperative. In 1991, two study groups were established; one on direct taxes and the second on indirect taxes²⁶. The objectives of the study were to: reduce over dependence on oil revenue, improve the administration of indirect taxes,

shift taxation towards consumption (indirect) rather than saving (direct), and provide incentives for export. The introduction of VAT automatically replaced the Sales Tax that was introduced in 1981 through Decree No 7. The implementation of (VAT) [a tax on spending] started in January 1994 and replaced the former Sales Tax imposed on luxury goods in Nigeria. It is basically a consumption tax levied at a flat rate of 5%. Simply called the goods and services tax (GST), it is levied on the value added that results from each exchange. It is an indirect tax collected from someone other than the person who actually bears the cost of the tax or the tax burden. VAT has been introduced in most countries of the world on record. The first country that introduced or imposed VAT, as it is known presently is France on April 10, 1954.

Most countries of the then European Economic Community (EEC) had Value Added Tax as a means of ensuring uniformity of trading, since goods and services moved relatively freely among these countries. Owing to the close economic relationship between France and its former colonies, VAT was introduced almost immediately in most Franco phone African countries, beginning with Cote Divoire in 1957, and within ten years of its administration, VAT, in one form or the other, became operational in most French speaking African countries²⁷. The first developing country to implement VAT was Brazil, in 1967, when the government abolished the multiple Sales Tax system in order to ensure financial and economic co-ordination among 26 states in the country; this was followed by both India and China in 1990, and Nigeria on 1st January 1994 though it was introduced 1st September, 1993²⁸. Today, VAT is used as an important instrument of fiscal and economic policies in all countries of the world. In Europe, Austria, Belgium, Denmark, Germany, Finland, France, Greece, Ireland, Italy, Luxemburg, Norway, Portugal, Spain, Sweden, Turkey, and United Kingdom operated Value Added Tax. In Latin America, Argentina, Bolivia, Brazil, Columbia, Costa Rica, Ecuador, Guatemala, Mexico, Honduras,

Panama, Peru, Uruguay, Dominican Republic, and Haiti operates the VAT system. In Asia, China, India, Indonesia, Korea, Taiwan, Pakistan, Philippines, Japan and Thailand operate the VAT system. In the Middle East, Israel use the VAT system. In Africa also, Benin Republic, Botswana, Burkina Faso, Guiea Bissau, Kenya, Lesotho, Madagascar, Mali, Mauritania, Morocco, Niger, Senegal, South Africa, Swaziland, Togo and Nigeria all operates the VAT system.

It is collected on behalf of the government by businesses and organizations. Its implementation is such that a tax of 7.5% is added when goods pass from one hand to the other. Certain items are exempted from VAT and these include: basic food items such as (rice, beans, garri, maize, yams, fish, etc), Baby products such as clothing accessories, cosmetics, agricultural equipment, fertilizer and farm transportation equipment, all diplomatic goods on the Federal Government's duty free concession; House rent; medical and health care services, International air transport, religious services, services by Microfinance Bank formerly known as (Community Bank/People's Bank) and mortgage institutions, postal services, and plays and performances conducted by educational institutions as part of their curriculum. Potential Value Added Tax payers, manufacturing firms, wholesale companies, importer and distributors of chargeable product and service is mandated by decree No 102 of 1993 to be registered with the Federal Inland Revenue Service which centrally administered Value Added Tax in the state. In we have 17 classes of products and 24 types of services that are Vatable²⁸.

Value Added Tax, often named as tax on consumption, has been defined from different angles by several scholars. VAT is the cost charged on finished goods and services less a cost charged for inputs of production such as raw materials²⁹. Another definition of VAT considers Value Added Tax as a tax on the values added not tax on the value of the commodity sold³⁰. This definition

explains VAT as a difference between the value of input and gross value, and that seller is responsible to pay the tax. VAT is consumer tax since it is the sum of wage and profit tax and levied on consumer before selling the good or service. VAT is also a tax on estimated market value added to a product and explained that the additions are to the final customers.

Value Added Tax (VAT) is a levy imposed on business at all levels of the manufacture and production of a goods or service and based on the increase in price, or value, provided by each level. Because the consumer ultimate pays a higher price for the taxed commodity, a VAT is essentially a hidden Sales Tax Value Added Tax (VAT) is a tax community, a VAT is essentially a hidden Sales Tax. Value Added Tax (VAT) is a tax on spending. The tax is borne by the final consumer of goods and services because it is included in the price paid. Value Added Tax is tax levied at each stage of production on the value added of firms. Value Added Tax is a multistage consumption tax levied on the difference between a firms sales and the value of its purchase input used in producing the goods. In another view, VAT is described as a multi-stage tax imposed on the value added to goods and services as they proceed through various stages of production and distribution and to service as they are rendered³¹. Similarly, “Value Added Tax (VAT) is a tax on the supply of goods and services which is eventually borne by the final consumer but collected at each stage of production and distribution chain”. An important landmark in tax reform in Nigeria was the adoption of the Value Added Tax (VAT) in January through the VAT Act No, 102 of 1993 but its implementation actually began in January 1994³².

Replacing Sales Tax, VAT was originally imposed on 17 categories of goods and 24 services categories³³. Such items as basic foods, medical and pharmaceutical products, books, newspapers and magazines, house rent, commercial vehicles and spare arts and services rendered by community and peoples banks, however, were VAT free. Value Added Tax (VAT) has become a

major source of revenue in many developing countries. In sub-sahara Africa, for example, VAT has been introduced in Benin, D'ivoire, Guinea, Kenya, Madagascar, Mauritius, Niger, Senegal, Togo and lately, Nigeria. Evidence suggests that in these countries VAT has become an important contribution to total government tax revenue. VAT accounted for about 30% of total tax revenue in D'ivoire, Kenya and Senegal in 1982³⁴. The oil producing countries are not excluded from the list of countries introducing this tax handle. VAT has been in effect in Ecuador and Mexico since at least 1973, and by 1983 accounted for 12.35% and 19.71% of total government revenues in these countries respectively. The introduction of VAT requires a lot of preparation because of the complexity in the implementation of VAT which require the cooperation of the tax payers. In January, 1994 when the implementation of the tax began there are no adequate machinery, public enlightenments and consumer education. The problems created by inadequate preparation and lack of understanding of the workings of VAT coupled with administrative bottleneck.

Although prices of Vatable goods and services to rise, businesses are taking advantages of the existence of VAT to increase prices of goods and services arbitrarily. The excessive price increase has further led to higher inflation in Nigeria. The VAT rate in Nigeria at 5% is considered too low because of high cost of administration. At 5%, the cost as a proportion of revenue will be very high. Data on cost of introducing and administering VAT are not yet available but it is expected to be significant it is a belief that for most countries, a VAT is probably not worth introducing at least than 10%³⁵. Specifically, the traditional incidence studies tend to concentrate on the issue of who pays the tax, so that the question of who gains or losses from the tax, whose income and welfare are educed or increased and whose employment opportunity is threatened or promoted are not sufficiently considered. For efficient administration of VAT businesses must keep proper source documents and books of accounts. Unfortunately, it

is very problem with most enterprises in Nigeria. The invoicing of all sales, the need to compel business to keep records of transactions and encourage consumers to demand receipts for every purchase have become mandatory.

VAT is a consumption or indirect tax designed to tax private consumption by individuals of goods and services that are subject to tax. It is multi-stage tax which applies whenever goods and service are supplied by a producer. Nigeria's VAT has a number of features that theoretically makes it straight forward and as painless as possible. These features are: VAT is a single rate tax of 5% which is easier to administer. It uses an input output methods, which is self-policing. That is although it is a multiple stage tax, it is expected to have a single effect on consumer prices and should not add more than the specified are to the consumer price no matter the number of stages at which the tax is paid. The tax is levied on the value gain in by the product or service before begin sold. It is therefore applied to several points in the production and distribution chain until the item reaches the final consumer. All goods and service are VAT able, with limited and very specific exceptions. All import are vatable, whether imported raw materials or finished goods, and VAT on importers is calculated on the total value of the total cost, insurance and freight. Export are zero-rated, implying that exporters do not collect VAT on exports but they can claim credit for VAT paid on their inputs. VAT has a built-in self-assessment mechanism which allows a business to claim credit for the tax paid on its inputs and calculate the tax liability on its output³⁵.

Specifically, there are three types of VAT. The distinction is based on three basic elements, these are: consumption VAT, consumption VAT is for the purchases or transfer of capital assets³⁶. The tax paid on capital assets or goods are deducted as input taxes from output taxes. Thus the tax burden of capital purchase are shifted to consumers rather being paid by the company. Thus

companies are encouraged to expand their business. Another advantage of the consumption VAT is that it is straight forward and easy to calculate since it does not require separation of expenditure on capital from expenditure on other items of purchase so as to determine the VAT base. Capital as such is not taxed, but tax is paid when capital is sold or transferred. The original cost of assets and other enhancement cost are allowed before subjecting the balance to tax at 10% firms can claim credit for the tax paid on capital assets. They by improving the firms' cash flow situation. Income (input) VAT: the Income VAT is paid on capital inputs and raw materials over the expected useful lives of the capital assets. In other world, income VAT requires that the tax paid on purchased on capital inputs are amortized (i.e credited against the firms VAT liability). Throughout the life span of the assets. There is similar to the capital allowance expect that the input is amortized against the output tax of the firm on equal bias over the lifespan of the asset. The income VAT is similar to the consumption VAT except that the capital allowances are set against assessable income while the input VAT is amortized on output tax of the company. Output (gross product) VAT: The output does not deduct VAT input of capital purchase on the firms output tax. This means that the tax on capital purchase has to be paid by the company. Taxable firms are treated as the final consumers of all its capital inputs. However, there is a provision for the firms to capitalize the input tax paid for income tax purposes and capital allowance claimed after the life span of asset. This type of VAT does not encourage industrial expansion as it makes plants and machinery more expensive. However, such taxes are been capitalized for the purpose of capital allowance claims.

The Nigerian tax system is operated at three levels of government, namely, federal, state and local governments³⁷. Tax powers and jurisdictions of the country are enshrine in the constitution under the relevant ACT, which include Income Tax Management Act (ITMA) Company Income

Tax act (CITA) Value Added Tax (VAT) and other relevant legislations. The federal government has the authority to collect Company Income Tax (CIT), Petroleum Profit Tax (PPT) Value Added Tax (VAT), Education Tax, Capital Gain Tax (corporate bodies, withholding tax companies) Personal Income Tax (PIT) from the personnel of armed forces, police, external ministry. Other areas are rent and royalties on extractive industries/solid mineral customs duties and excise duties. The state have authority to collect Personal Income Tax on state residents, Capital Gain Tax and stamp duties (individual) toll/road taxes, levies and lees, poor taxes, business premises and registration levies, development levies other fees (registration of occupancy and state market). Local government are to collect property, tenement rates, shops and kiosk rates, fees on liquor license, slaughter slab fees, marriage, bridge and death registration, street name registration, market/motor park fees, domestic animal license fees, bicycle, truck canoe fees, local/rural right of packing, public convince, sewage and refuse disposal permit fees, cemetery and religious places permit fees, signboard and advertisement permit fees. Each level of government has agencies, parastatals or institution responsible for the collection of the various taxes as assigned by the relevant authorities.

Nigeria operates a federal system of government hence the fiscal operations also adhere to the same principle³⁷. This has serious implications on the same principle. This has serious implications on the tax system as administered in the country. The government's fiscal power is based on the three tier structure of federal, state and local government each which has different tax jurisdiction. The tax and revenue system is lopsided and dominated by oil revenue. The federal government takes lion share of all taxes and other revenues. Over the years since the oil boom of the early 1970s, revenue from oil has dominated government revenue source. Instead of transforming or diversifying the revenue base, fiscal management has merely changed from one

primary product to another. This over dependence on oil makes the economy susceptible to vagaries of the international oil market.

The need to address this problem of near mono economy led to tax policy reforms. The reforms as well as the yearly amendments given in annual budget were geared towards addressing the failures of effective tax system. The need for tax reforms in the country has been justified on some of these reasons; there is compelling need to diversity the revenue based for the country in order to safeguard against volatility of government revenue, Nigeria operates a cash expenditure budget system where proposal for expenditure are always anchored on revenue projections, the tax system is concentrated on petroleum taxes and less on indirect taxes because of the dominance of the informal sector. Even the formal sector has limits because there are unions that act as pressure groups to deter any appreciable tax increments, there has been and continues to recur government annual fiscal deficits over the decades, the study group in 1991 highlighted the need to increase tax revenue base. The group recommended the establishment of Value Added Tax (VAT)³⁸.

Tax compliance refers to the extent to which a taxpayer meets his or her obligation to pay taxes under the tax law³⁹. As a result, it is the obligation of all businesses and individual taxpayers to meet this obligation as required by the law. Some of the tax obligations that the taxpayer should meet include registering for tax purposes, the voluntary declaration of returns for taxation purposes, and the timely payment of tax liabilities. Value-added tax (VAT) is a consumption tax that has proved to be a workhouse among many developing nations. To be precise, about 160 countries across the globe administer a VAT. This form of tax has thus become the third-largest source of revenue for these countries³⁹. Tax authorities apply VAT to the difference between the sale of goods or services (to consumers or businesses) and when the business purchases inputs

from other firms. This implies that this form of tax is applied to the value that is added to a good or service.

Tax compliance, on its part, encompasses the deliberate and determined non-compliance by the taxpayer to the unwilling and unwitting compliance that arise when the taxpayer does not understand the procedures for paying taxes and the legal requirement to pay taxes. Quasi-voluntary compliance refers to viewing tax compliance in terms of whether taxpayers pay their tax liabilities willingly⁴⁰. On the contrary, enforced compliance occurs when the tax authority has to force the taxpayer to meet his or her tax obligation. In the quest to ensure tax compliance among taxpayers, tax authorities use the following steps: registration, filing, declaration, and payment. Mostly, registration concerns the identification of eligible taxpayers in the country. Filing involves the timely submission of tax returns. Declaration entails the correct reporting of tax liabilities while payment refers to the timely remitting of the tax obligation that concurs with the returns filed by the taxpayer.

Therefore, a taxpayer is regarded as non-compliant if she or he fails to abide by the steps mentioned above. It is equally useful to note that non-compliant taxpayers pose a substantial risk to the collection of taxes by the tax authority by reducing the revenue that would be available for the government. As mentioned earlier, non-compliance could be voluntary or unintentional. There are no readily available and proved quick fixes to improve tax compliance among taxpayers. Instead, tax authorities should adopt a long-term comprehensive and coordinated plan that uses various policy instruments to enforce tax compliance. There are several measures that tax authorities could use to improve tax compliance among taxpayers⁴⁰. Tax education should suffice to inform taxpayers about the need for meeting their tax obligation. Tax authorities should also ensure the availability of tax services to allow taxpayers to process and pay their tax

obligations. Finally, the tax authority could also use deterrence and enforcement by following up on taxpayers that voluntarily refuse to meet their tax obligation.

VAT system in Nigeria is administered by the Federal Inland Revenue Service (FIRS), a Federal Agency responsible for the administration of Federal taxes with power do all that is necessary and expedient for the assessment and collection of the tax due. This now makes for easy reference for administrators, practitioners and researchers. The FIRS Act has granted array of powers and autonomy to the FIRS to enable it discharge its statutory duties. The FIRS is now able to recruit, discipline and determine the terms and other conditions of service of its staff outside the civil service structure. Since the take-off of the new structure, the FIRS have been efficient and effective. The cumbersome and tortuous process of assessment and collection was solved by creation of 77 Integrated Tax Offices (ITOs) as one-stop shop for all tax payments including VAT. This development therefore drew a curtain on the existence and functionality of Local VAT Offices. The board is charged with the function of assessment and collection of the tax and shall account for all amounts so collected in accordance with the provision of the Act⁴¹.

Although, it is administered and collected by the federal government using the existing tax machinery of the Federal Inland Revenue Services (FIRS) in close co-operative with the Nigeria Customs Service (NCS) and the State Internal Revenue Service (SIRS), the net proceeds from VAT are shared among the Federal, States and Local governments in the ratio 45:35:20⁴². But has been recently reviewed to a distributing formula of 15:50:35. The prospective VAT payer obtains and completes VAT form 002 and returns to the nearest VAT office. Once, registered the VAT proceeds is expected on monthly basis to be paid to the VAT office. Every taxable person is to remit to the relevant local VAT office the net. Remittances are supposed to be made together

with the VAT returns. The VAT carries a single rate of 5% on taxable goods and services. Zero rates are assumed for export while there are goods and services exempted from tax.

All manufacturers, distributors, importers and suppliers of goods and services are obliged to register for VAT payment within six months of commencement of such business. The prospective VAT payer must obtain and complete VAT Form 001 and return to the nearest Local VAT office. A permanent VAT registration number is to be given to each registered payer⁴². FIRS is assigned by law (Section 7G of Decree No. 102 of 1993), the responsibility of administering VAT in Nigeria. The service is empowered “to do such things as it may deem expedient for the assessment and collection of tax in accordance to Section 2 of the Decree. In accordance with the above provision of the Decree, the VAT system in Nigeria is administered by FIRS, through the VAT Directorate which is located at its Head Office in Abuja with a network of Zonal and local VAT offices throughout the Federation⁴³.

The success or failure of any tax depends largely on the extent of how it is properly managed. The extent to which the tax is interpreted and implemented; as well as the publicity brought into it will determine how the particular tax is able to meet its objective. Hence, one of the acid tests in determining the success of a tax is the management of the policy. VAT may be complicated to administer but it is not complex as Personal Income Tax or Company Income Tax⁴⁴. The introduction of VAT in Nigeria through Decree 102 of 1993 marks the phasing out for the Sales Tax Decree No. 7 of 1986. The Decree took effect from 1st December, 1993, but by administrative arrangement, invoicing for tax purpose did not commence until 1st January, 1994. Value-Added Tax is a tax on the supply of goods and services which is eventually born by the final consumer but all collected at each stage of production and distribution chain. With VAT; government reasoned; it will be virtually impossible to evade tax. The instrument that introduced

VAT spells out goods and services that attract the tax. It shows, for instance that food items do not attract VAT. Sellers of goods on which VAT is paid must first of all be registered with the Federal Inland Revenue Service; the aim is to ensure that the 7.5% VAT is paid on goods and services. It is the fear of the already pauperized Nigerians, sinking more into an abyss that informed the researchers' decision to look into VAT implementation and its impact on government revenue.

VAT is a self-assessment tax that is paid when return being rendered. In-built in the new tax is the refund or credit mechanism, which eliminates the cascading effect that is a feature of the retail Sales Tax. The Federal Government was however, not satisfied with the revenue yield from the Sales Tax whose base is regarded as norms and which covers only nine categories of good plus sales and services in registered hotels, motel and similar establishment. It is felt that the narrow base of the consumption negates the fundamental principles of consumption tax, which by nature is expected to cut across consumption of goods and services. Value Added Tax, in contrary has a broader base and includes most professional services and banking transactions that are high profit generating sectors, only locally manufactured goods were targeted by the sale tax Decree of 1986, although, this might not have been the intention of the law. Under VAT, a considerable part of the tax to be realized is from imported goods. This means that locally manufactured goods will not be placed at a disadvantage, relative to import and since VAT is based on the general consumption behavior of the people, the expected high yield from it will boost the fortunes of the state government with minimum resistance from the payers of the tax.

In Nigeria, VAT forms are classified as follows; forms in use by the Tax Authority and Forms in use by the Tax Payers. The VAT forms in use by the Tax Authority are forms VAT 003, 004, 005, 006 and 007. Form VAT 003 is used for monthly Returns of VAT Reconciliation Statement from

Local VAT offices to Zonal office while VAT Form 004 is used for monthly Return of VAT Reconciliation Statement Zonal VAT Offices to Headquarter at Abuja. VAT Form 005 is used for monthly Return of VAT collection to the Federation account. VAT Form 006 It is used for Monthly Return of VAT collection by the Nigerian Customs Service and VAT Form 007 is a Re-assessment Notice Form raised on a tax payer. On the part of the tax payer VAT 001 and 002 forms are used. Form VAT 001 is VAT Registration Form to be completed by a potential VAT Payer within six months of the commencement of business while form VAT 002 is a standard Value Added Tax Returns to be filed on monthly basis. The collection of VAT is not different from the current system of collecting withholding taxes operated at all levels of government. Essentially, the withholding tax requires the payer to withhold (deduct) percentages, specified by law from his payment and to remit this withheld amount to the government. The law imposes the liability for the underlying obligation being paid is that of the year.

Value Added Tax (VAT) is collected on behalf of the government by businesses and organizations which have registered with the Federal Inland Revenue Services (FIRS) local government VAT offices for VAT purposes⁴⁵. All businesses and organizations are to register for VAT in the local VAT office or operation bases. Branches of such businesses and organizations are to register independently in their own areas of operation. All registered persons will pay 7.5% on goods and services purchased but can claim credit for the tax (called input tax) when sold. The registered person or organization has to make regular VAT returns and either pays to or receives from FIRS (VAT Directorate), the difference of the input tax and output tax. VAT return (and payments) are normally made monthly to the local VAT office on or before the 30th day of the month following that in which the supply was made. No individual business organization or

government agency is exempted from the tax. Only goods and services specified activities are exempted.

VAT is the most important of indirect tax introduced taxes in 1993 to replace Sales Tax. VAT is an ad-volarem tax ie. Levied on the selling price of the commodity. There are currently two rates of 0% and 7.5%⁴⁶. Unlike Sales Tax, which was only collected from manufacturer, VAT is a multi-stage of production. Each company pays VAT on full selling price of its products, but can claim it back on its purchases from outside the firm. The difference between its sales and purchase is value added. There are three main elements, which distinguish VAT from all other forms of indirect tax. These are consumption, incidence and multiple stage nature. Relatively it is the method in which the tax is collected through interaction of input- output mechanism. VAT is simple to operate and cheaper to collect with the involvement of numerous agents collecting it round the clock from millions of consumers, most of whom are inspecting”. The base of Sales Tax in Nigeria as operated under Decree no. 7 of 1986 is narrow. It covers only nine categories of goods plus sales and services in registered hotels, motel and similar establishments. The narrow base of tax negates the fundamental principle of consumption, which by nature is expected to cut across all consumer able goods and services. VAT is broader and includes most professional services and banking transactions which are high profit generating sectors” Federal Inland Revenue Services FIRS.

The government often makes more money as a result of VAT's broad application. Small enterprises, independent contractors, and shops who typically avoid paying taxes will be subject to the tax system. It would be accurate to characterize VAT as a low rate tax with a high yield. Because it is incorporated into the selling price of products and services, the public accepts and uses the VAT system more easily. It affects everyone who consumes the taxable item and is

invisible to the consumer. Since all commercial items, bank services, insurance, hotel/motel services, etc. will be subject to a flat rate tax, the VAT rate is neutral for all forms of consumption. Profitable and marginally profitable business will be taxed at the same level and government will not be subsidizing inefficiency by sharing an unprofitable business low tax⁴⁷.

In 1993, Nigeria replaced the Sales Tax with the Value Added Tax (VAT). In order to increase their revenue base and implement free health care and education, several Unity Party of Nigeria (UPN)-controlled governments implemented a sales tax in Nigeria in 1980–1981 programmes⁴⁸. After an unsuccessful attempt to prevent state governments from enacting laws pertaining to taxes, Lagos State claimed that since income taxation was the only item on the list of exclusive legislatures, any state might enact laws pertaining to sales, purchases, and consumption taxes. The Lagos State Government's audacious action inspired numerous other Nigerian states to follow suit. As a result, by 1986, sales tax had been enacted by numerous Nigerian states through state decrees. Many states' widespread implementation of sales taxes lacked a cohesive framework, which had detrimental effects on foreign investment inflow and industry allocation in Nigeria. In order to standardize the sales tax structure, the federal government created Sales Tax Decree Number Seven of 1986, although it left the implementation up to the states based on residency. Despite the states' protests that the Federal Government's conduct was unconstitutional, the Federal Government persisted, and by 1991, a research group had been established to examine Nigeria's whole tax system. The study committee suggested a modified Value Added Tax (MVAT) for Nigeria instead of VAT. Following the enactment of pertinent legislation, sales tax was eventually replaced with VAT in 1993.

Several arguments were made for replacing sales tax with VAT, including the fact that the sales tax base was too small because the sales tax decree only applied to locally produced goods and

that VAT could generate more money than sales tax. On December 1st, 1993, the VAT Decree became operative. The Decree has three schedules and forty-three sections spread throughout six sections. Six sections made up the first part, all of which were devoted to term definitions. Guidelines for determining the values of taxable goods and services, whether they are imported or provided for monetary or non-monetary consideration, are provided in Section five. The administration and management of VAT were covered in part two. 'The Federal Board of Inland Revenue (FBIR) is responsible for the assessment and collection of VAT, registration of taxable persons and for accounting for VAT proceeds'⁴⁹. Part three deals with the issue of returns, remittances, recovery, and VAT refund. On or before the fourteenth day of the subsequent month, the taxable person must submit reports of all goods and services acquired or rendered during the month, as well as sufficient records and accounts of all transactions. The Value Added Technical Committee is established under Part 4. The composition, duties, procedures, and personnel of the committee which is responsible for offering the Board technical, professional, and consultative services on VAT matters were outlined in Sections 17 to 20. A list of VAT-related offenses and penalties was given in Part 5.

The offenses vary from failing to submit returns to the Board, which carries a punishment of N5,000 for each month of default, to providing fake documents, which carries a fine twice the amount reported if found guilty. The final section included a variety of topics, including the ability of the secretary or minister of finance to change schedules and tax rates, authorized officer inspections, revenue sharing among the levels of government, etc. Value Added Tax (VAT) perceptions among Nigerian businessmen were taken into consideration⁵⁰. The study was conducted in Nigeria's Cross River State, specifically in the city of Calabar. Distribution, manufacturing, importation, warehousing, advertising, and consulting services are among the

business categories covered. According to an analysis of the data gathered from the questionnaire, roughly 66.7 percent of the study's businessmen claimed to understand VAT, although with little understanding. Just 2.2% of the businessmen in the sample were registered for VAT. This likely translates into a high rate of VAT evasion and the resulting loss of government revenue. Very few (about 1.7%) of the businessmen in the research have ever gone to business seminars or workshops where VAT-related topics were covered. It was determined that the majority of Nigerian businessmen lack sufficient knowledge about VAT issues. The majority of the businessmen in the study believed that VAT was a deterrent. They contended that decreased sales compared to non-VATable products are caused by the fact that most VATable products have higher prices (due to the inclusion of VAT). It was investigated how VAT affected the economy⁵¹. VAT was shown to have the potential to increase the economy's capacity to generate income, which would lessen Nigeria's reliance on petroleum. The welfare of the populace would improve if the VAT earnings were used to fund the construction of social infrastructure, even if VAT has the propensity to raise the costs of goods and services that are subject to VAT. Value Added Tax (VAT) management in Nigeria's manufacturing sector was taken into⁵². Determining the degree of compliance and the impact of VAT on the internal operations of manufacturing enterprises were the study's goals. Bendel Feeds and Flour Mills in Ewu, Edo State, provided the study's data. The analysis's findings demonstrated that the business remained highly compliant with the VAT Decree's requirements. The VAT is in violation of the tax canon of equality, according to the report. It was contended that it is unjust to impose a flat rate of 7.5% on all entities. It was argued that businesses that produce health-harming goods like alcohol, tobacco, and cigarettes need to pay greater taxes.

Compared to large, prosperous enterprises, small businesses who are fighting for survival bear a greater burden due to the flat rate of VAT. This study's primary flaw is its narrow focus, which was restricted to a single manufacturing company. We think the study's findings may be more intriguing if it included more manufacturing firms from the nation's various geopolitical zones. The problems and prospects of VAT in Nigeria was examined⁵². The Federal Inland Revenue Services' VAT Directorate, vendors of VATable products and services, and the general public were all given questionnaires. The study's findings showed that most respondents had misconceptions about VAT and were unaware of it. Since the listings are not widely accessible, many people were unaware of the items and services that are subject to VAT. While some medium-sized businesses are guilty of underinvoicing, many small business owners have the practice of failing to maintain accurate books of accounts. Other issues found by the report include fraud, inadequate coverage, inefficient VAT collecting systems, late remittance of collected VAT, and unpredictable sharing formulas. According to the report, VAT has significantly increased the government's local non-oil earnings. It was concluded that much has to be done in the area of publicity to raise the level of awareness of the public to the desired level.

The understanding of the professional men about provisions and operations of the VAT law in Nigeria was looked into⁵³. Professional males such as accountants, lawyers, doctors, engineers, architects, and bankers were given questionnaires to gauge their knowledge of VAT law. According to the study's findings, the majority of the professional males who took part in it stated that they understood Nigerian VAT law and how it operated. A more thorough investigation into their level of VAT legislation knowledge, however, revealed that the majority of them only knew a limited amount of it. Many people have never even seen a copy of the VAT law, much less read and comprehended its provisions in depth. The few attorneys (15%) and accountants (25%) who

showed some understanding of VAT legislation were those who work as tax management consultants. The rest who had no course to deal with VAT law in general have no detailed knowledge of it. Thus, it is practically difficult for them to assess the adequacy or otherwise of the law.

A similar study was carried out⁵⁴. 'The perception of the tax consultants on the adequacy or otherwise of VAT law in Nigeria' was examined. Tax consultants in eight Nigerian cities Ibadan, Benin City, Akure, Asaba, Kaduna, Kano, Calabar, and Enugu were given questionnaires. Comparing the legislative expectations of VAT with what is actually obtained in practice was one of the study's main goals. The majority of the study's tax consultants (78%) said they had read the VAT Decree. The VAT decree was understood by almost 98% of those who claimed to have read it. In order to assess their knowledge and comprehension of VAT, they were required to list the VAT decree's contents, salient features, and any gaps. Unfortunately, over 80% of them could not outline the contents and neither were they able to identify any striking issues nor any loopholes.

This suggests that the introduction of VAT on such grocery items has no detrimental influence on the preferences and choices of consumers. Grocery owners saw that the VAT levy raises the price of VATable grocery items relative to non-VATable items, which in turn reduces sales of these items. They also saw that consumers must have turned to purchasing the same items they used to purchase from the stores before they were forced to do so. This implies that because of their low prices, customers are probably more likely to less quality goods because of their cheap price. This claim, however, cannot be supported because comparable products sold outside of supermarkets do not always have to be better. This has made it necessary to create a comprehensive ongoing study that compares supermarket sales of VATable goods before and

after the implementation of VAT in Nigeria (in process). The findings of this study should provide additional insight into how VAT affects Nigerian customers' behavior⁵⁵.

Value Added Tax (VAT) and economic growth of Nigeria was considered⁵⁶. Using time series data on GDP, VAT income, total tax revenue, and total (federal government) revenue from 1994 to 2008, the findings demonstrated that almost 95% of the substantial fluctuations in GDP in Nigeria could be explained by VAT revenue. Although there was no causal relationship between GDP and VAT revenue, it was noted that VAT revenue was more consistent than GDP during the period. It was suggested that all administrative flaws in Nigeria's VAT administration be fixed in order to allow VAT revenue to keep making a substantial contribution to the country's economic expansion. Another related study on how VAT affects revenue generation in Nigeria found that the tax had a statistically significant influence on both. Subsequently, the government promoted the sincere commitment of all VAT agents to collection and payment improvement. It was suggested that the government raise the tax rate in order to increase its yearly revenue for economic development, given the substantial impact that VAT has had on Nigeria's economic growth⁵⁷. It is clear from the above that VAT makes up a sizable portion of the overall amount of money that Nigerian governments are able to collect. Despite this, the public's ability to pay VAT continues to provide challenges. Given the impact of VAT revenue on overall government revenue, should the Nigerian government choose to raise the VAT rate in order to expand her revenue base? What would the general public think? It is crucial to understand how the Nigerian public now views the VAT system in order to anticipate how they would respond to such a suggested public policy. This is the study's justification.

In Nigeria, the administration of Value Added Tax (VAT) faces numerous challenges that significantly undermine its effectiveness as a revenue-generating mechanism⁵⁷. Some of the major issues are outlined below:

a. Lack of Awareness Among Taxpayers: A fundamental problem in VAT administration is the widespread **ignorance of taxpayers** regarding the existence of VAT and their obligations under it. Many Nigerians are not even aware that VAT exists, let alone recognize the importance of remitting it to government authorities. The government has not done enough in terms of public sensitization, education, and outreach campaigns to explain how VAT works, why it is important, and how it should be paid. Even among those who are aware of VAT, there is considerable confusion about the rate to remit, the filing procedures, timelines for returns, and their rights to object or appeal against tax assessments. This knowledge gap has created room for both non-compliance and partial compliance, reducing overall tax efficiency.

b) Incomplete Taxpayer Data and Weak Identification Systems: Another major obstacle is the lack of comprehensive taxpayer data. Effective VAT administration requires accurate identification of all individuals and businesses liable to taxation. While the Federal Inland Revenue Service (FIRS) has made efforts to address this issue by introducing Tax Identification Numbers (TINs), many potential taxpayers particularly within the informal economy remain unregistered and undocumented. The law mandates that taxable persons issue tax invoices containing their TIN and VAT registration number for all taxable supplies, which should, in theory, facilitate proper tracking. However, in practice, many small and medium-sized businesses operate without registration, making it extremely difficult to assess and collect VAT from them. As a result, a significant portion of Nigeria's business community, especially in the informal sector, remains outside the tax net, leading to massive revenue leakages.

c) Poor Accounting and Record-Keeping Practices: The VAT Act obligates taxable persons to maintain accurate records of transactions, imports, and other activities to ensure correct VAT assessment. Unfortunately, poor record-keeping is widespread among Nigerian businesses. Many enterprises, particularly in the informal sector, do not keep proper accounting books, while even some in the semi-formal sector maintain inadequate financial records. In contrast to developed economies where businesses often rely on tax consultants and accounting services, in Nigeria, such services are rarely sought except for audits or occasional tax planning. This lack of professional accounting support makes it difficult for businesses to accurately calculate VAT liabilities and encourages tax evasion, either deliberately or due to ignorance.

d) Ineffective Use of Technology in VAT Administration: A critical challenge lies in the underutilization of technology in tax administration. Nigeria still lags behind in the deployment of digital solutions such as automated tax filing systems, online payment platforms, and integrated taxpayer databases. This deficiency results in inefficiency, revenue losses, and loopholes that dishonest taxpayers and corrupt officials exploit. In contrast, many developed and even emerging economies have embraced advanced digital platforms that streamline tax collection and improve compliance. Without embracing modern technology, Nigeria continues to lose enormous revenue potential from VAT.

e) Delays in Tax Refunds: The VAT Act, as well as the FIRS Act, provide clear guidelines for refunds to taxpayers who have been over-taxed. These provisions require refunds to be processed within 90 days of application, subject to proper tax audits. However, in practice, refunds are often delayed for years, and in some cases, taxpayers never receive them. When refunds are eventually issued, the erosion of value due to inflation means that taxpayers do not truly recover

their losses. This undermines trust in the system, discourages compliance, and creates a perception of inefficiency and injustice within the tax administration framework.

f) Corruption in VAT Administration: Corruption remains a deeply entrenched problem in VAT administration. It manifests in multiple forms: taxpayers deliberately under-reporting income, hiding taxable transactions, or evading VAT payments entirely; and tax officials engaging in bribery, extortion, and collusion. Some tax inspectors accept bribes in exchange for reducing or waiving tax liabilities, while others manipulate assessments to benefit certain taxpayers. These corrupt practices not only erode government revenue but also undermine the credibility and fairness of the tax system. Ultimately, corruption in VAT administration obstructs the government's goal of using taxation as a tool for economic stability and equitable development.

The challenges confronting VAT in Nigeria ranging from low awareness and weak taxpayer identification to poor record-keeping, technological backwardness, refund delays, and corruption combine to create systemic inefficiencies that hinder effective tax administration. Unless these structural and operational issues are addressed, VAT will continue to fall short of its potential as a reliable and equitable source of revenue for the Nigerian government.

2.2. Theoretical Review and Framework

2.2.1 Maslow Hierarchy of Needs Theory

Abraham Maslow's Hierarchy of Needs, first introduced in his 1943 paper "A Theory of Human Motivation," is a psychological framework that categorizes human needs into five levels: physiological, safety, love/belonging, esteem, and self-actualization⁵⁸. Abraham Maslow's Hierarchy of Needs theory has long been a cornerstone in the fields of psychology and marketing.

The theory posits that the needs of human are arranged in a hierarchical order, from basic physiological needs to the more complex self-actualization needs. This analysis explores the applicability and relevance of Maslow's theory in understanding contemporary consumer behaviour, considering modern economic conditions, technological advancements, and cultural shifts. Contemporary researchers have adapted Maslow's model to fit the complexities of modern life, considering factors like cultural differences, technological advancements, and the dynamic nature of human needs. Maslow's original hierarchy consists of five levels: physiological, safety, love/belonging, esteem, and self-actualization. It was later expanded to include cognitive and aesthetic needs, and self-transcendence.

Physiological Needs; Maslow identified physiological needs as the most fundamental human requirements for survival. These include necessities such as food, water, and shelter. **Food and Beverage Industry:** In today's market, companies like Nestlé and PepsiCo continue to innovate with health-conscious and organic products. The emphasis on organic, non-GMO, and sustainably sourced products reflects consumers' desire for healthier and ethically produced food. **Technology as a Necessity:** The advent of smartphones and the internet has transformed technology into an essential component of daily life. Internet connectivity and mobile devices are now considered basic necessities, integral for accessing information, communication, and managing everyday tasks.

Safety Needs; the need for security and protection from harm encompasses both physical and financial security. **Insurance and Security Products:** The rising demand for health, life, and cybersecurity insurance underscores consumers' heightened awareness of security. Products that ensure data privacy and secure transactions are particularly valued. **Safe Products and Services:** Brands like Volvo emphasize safety features in their automobiles, which cater to consumers'

desire for reliable and safe transportation. Similarly, technology companies invest heavily in securing user data to meet these safety needs. Love and Belonging Needs; Maslow highlighted the importance of social relationships, love, and belonging. Social Media Platforms: Platforms such as Facebook, Instagram, and Twitter cater directly to these needs by providing spaces for social interaction, connection, and community-building. They create virtual communities where individuals can maintain relationships and form new connections. Community-Oriented Marketing: Companies like Starbucks foster a sense of community by creating inviting store environments and engaging in social initiatives. This approach not only meets consumers' social needs but also builds brand loyalty.

Esteem Needs; these needs relate to self-esteem, recognition, and respect from others. Luxury Goods: Brands such as Rolex, Louis Vuitton, and Gucci fulfil consumers' esteem needs by offering high-end products that symbolize status and success. Ownership of such luxury items is often associated with personal achievement and social recognition. Personal Branding and Influencers: The rise of social media influencers and personal branding reflects modern consumers' pursuit of esteem. Individuals seek recognition and validation through their online presence and the brands they associate with.

Self-Actualization Needs; the highest level in Maslow's hierarchy, self-actualization involves realizing personal potential and self-fulfillment. Education and Personal Development: Platforms like Coursera, Udemy, and LinkedIn Learning provide opportunities for continuous learning and skill development. These platforms cater to individuals' desires to achieve personal growth and fulfill their potential. Experiential Consumption: There is a growing trend towards valuing experiences over material possessions. Travel, adventure sports, and unique experiences are increasingly prioritized as means of self-expression and personal fulfillment.

Marketing Strategies: Companies utilize Maslow's hierarchy to develop targeted marketing strategies. Recent studies show that brands like Apple and Nike successfully appeal to various levels of needs, from basic product functionality to esteem and self-actualization through branding and customer experience. Consumer Psychology: Modern consumer psychology research often references Maslow's theory to explain shifts in consumer preferences, such as the move towards experiential purchases over material goods, reflecting higher-order needs for self-fulfillment. Organizational Management Employee Motivation: Recent studies emphasize the relevance of Maslow's hierarchy in workplace motivation and employee engagement. Organizations apply the theory to design motivational strategies that address employees' needs at different levels, from fair wages and job security to career development and recognition. Leadership Development: Leadership models incorporating Maslow's principles focus on transformational leadership that inspires and motivates employees towards self-actualization and organizational goals. Digital Technology and Online Behavior Digital Consumption: The rise of digital technology has reshaped how consumers satisfy their needs. Platforms like social media and ecommerce sites cater to both social belonging and esteem needs through community engagement and personalized experiences. Virtual Self-Actualization: Online education platforms and digital content creation tools enable individuals to pursue personal growth and self-actualization in the digital realm, highlighting the extended applicability of Maslow's theory.

2.2.2 Ability to pay Theory

The principle of "ability to pay" in taxation asserts that the financial resources needed for public expenditure should be drawn primarily from those who are more capable of contributing "him that hath" rather than from those who are less able "him that hath not." In other words, tax burdens should be structured in such a way that every taxpayer makes a contribution that

represents an equal sacrifice, though this sacrifice must be understood in terms of one's financial capacity or "means." ⁵⁹The rationale is grounded in the diminishing marginal utility of money: since each additional unit of money holds less value for a wealthy individual than for someone with lower income, taking proportionately more from the rich imposes a lighter utility loss on them compared to imposing the same burden on the poor.

From this perspective, individuals with higher incomes or greater wealth possess a greater ability to finance government activities without jeopardizing their basic needs or overall welfare. Consequently, the ability to pay principle suggests that tax burdens should be allocated proportionately or even progressively so that those who are financially better positioned contribute a larger share. This approach embodies the ideals of equity and fairness, emphasizing that those who enjoy greater access to society's resources, opportunities, and protections should shoulder a correspondingly larger responsibility for sustaining public goods and services.

The central idea of this theory is therefore that taxation must reflect relative financial strength. It is not sufficient to impose uniform taxes on all individuals, as doing so would disregard the disproportionate hardship it creates for those with limited resources. Instead, taxes should be calibrated to ensure that the burden reflects one's capacity to pay, thereby promoting fairness and avoiding undue strain on vulnerable groups. This reasoning also provides theoretical support for progressive taxation, whereby tax rates increase as income or wealth rises, ensuring that the wealthy contribute more in absolute and relative terms.

However, despite broad agreement among economists on the fairness of this principle, there remain important gaps and ambiguities in its interpretation. One major issue lies in the absence of consensus on the precise criteria that should be used to measure ability to pay. Should it be based

solely on income, or should wealth, property ownership, consumption, or even potential earning capacity also be factored in? Without clear definitions, policymakers face difficulties in designing tax systems that are both just and practical.

Furthermore, the theory tends to overlook the real-world challenges of implementation. Factors such as income inequality, widespread tax evasion, the existence of loopholes, and administrative inefficiencies may undermine the effectiveness of progressive taxation systems. For instance, high-income earners often have greater access to financial advisors, offshore tax shelters, or legal strategies to reduce their tax obligations, which can distort the principle of equal sacrifice.

Thus, while the ability-to-pay theory provides a compelling philosophical foundation for equitable taxation, there is a need for further refinement and practical adaptation. Future discourse should focus on clarifying the metrics by which ability is assessed, evaluating the trade-offs between equity and efficiency, and exploring how different taxation models affect both government revenue and social justice. A comprehensive examination of the fairness implications of proportional, progressive, and even regressive taxation systems would help determine how best to balance fiscal responsibility with the broader goals of equity, inclusiveness, and societal well-being.

2.2.3 Expediency Theory

The expediency theory is a relevant theoretical basis for this study. The theory which is attributed to emphasizes that revenue maximization and other socio-economic objectives should not be the only or overriding consideration motivating tax policy specifications or reforms, rather every tax proposal must pass the test of practicability⁶⁰. This means that a tax proposal may assure enticing revenue benefits for government whereas in practical terms its effective implementation is not

feasible. The strength of this theory lies in the fact that although taxation is a veritable and beneficial economic tool, a tax that cannot be effectively levied and collected is practically useless. There is no doubt that the government's plan to tax e-transactions would definitely be beneficial to Nigeria. However, the pertinent questions bother around the practicability in terms of cost-benefit analysis of implementing this policy. There is need to pre-evaluate the issues and challenges that the country will have to grapple with in the course of implementing this policy and how the implementation of this policy would affect e-transactions business in Nigeria. This will ensure that relevant facilitating machineries are put in place to ensure the effective implementation of the policy.

2.2.4 Benefit Received Theory

According to this theory, the burden of taxation ought to fall on the people, according to the benefit received by them from the state⁶¹. Every citizen should be called upon to pay the taxes in proportion to the benefits derived by him from the services rendered by the government. The idea behind this principle is that the public pays taxes in the form of return of the benefits conferred upon them by the government. The principle naturally proclaims the justice of do not take that to give. In other words, the collective payment of taxes by the public hold didn't exceed the value of benefits conferred upon them by the government. It is for the collective benefit that the taxes are levied, not for the individual benefit. The benefit approach has two implications: firstly, the benefit is used as a justification for taxation and secondly, it serves as a standard for apportioning tax burdens.

It has been concluded that taxation by the state should be levied on individuals in proportion to the benefits they derive from government activities. The central principle underlying this

perspective is that the greater the benefits an individual or group receives from state-provided services, the larger their corresponding financial obligation to the government should be. This is the essence of the Benefit Theory of taxation, which has been interpreted in different ways by various scholars.

The Benefit Theory maintains that taxes should reflect the benefits enjoyed by a taxpayer rather than simply their income or wealth. According to this view, those who receive more substantial advantages from public goods and services ought to bear a higher tax burden. For instance, commuters who use roads should pay road tolls, library users should contribute to the upkeep of libraries, and students should help fund education services. In this sense, the tax burden is structured on the principle of reciprocity: citizens provide financial contributions to the state in return for the public services they consume.

Although scholars generally agree with the idea that taxation should correspond to the benefits received, they diverge on certain emphases. Some highlight the direct correlation between specific services and the taxes levied—such as toll charges or licensing fees—while others stress the principle of fairness and reciprocity, arguing that taxation should be seen as a fair exchange between the state and its citizens.

A practical illustration of the theory can be found in the legal case of *McBean v. Chandler*, which demonstrates the application of the Benefit Theory⁶². In this case, the court upheld the idea that road users could reasonably be taxed through tolls since they directly benefited from the infrastructure provided. The ruling reinforced the notion that where benefits are easily identifiable and measurable, the Benefit Theory can be effective in guiding taxation policies.

However, the theory is not without its limitations. It struggles to account for services such as national defense, public security, or universal education, where benefits are collective in nature and not easily quantifiable for each individual. For example, the protection provided by a national army safeguards all citizens equally, regardless of their personal contribution, making it difficult to assign taxes proportionately. Similarly, the long-term benefits of public education extend to society at large, not just the individual student, complicating the direct application of the benefit principle.

Thus, while the Benefit Theory provides a logical framework for linking taxation to benefits received, its application is often restricted to contexts where individual benefits are clearly measurable. In more complex scenarios involving public goods that benefit society as a whole, alternative principles of taxation such as the Ability to Pay Principle are often considered more equitable and practical.

2.3 Review of Empirical Studies

2.3.1 Value Added Tax and Consumer Behavioural Needs

A number of studies have been conducted across different countries to investigate consumer awareness and perceptions of Value Added Tax (VAT) or its equivalent, the Goods and Services Tax (GST). These studies provide important insights into how citizens with varying educational, professional, and socio-economic backgrounds perceive taxation and how well they understand the systems in place⁶³.

One such study examined the awareness of GST in Malaysia, focusing on consumers with and without an accounting background. The findings revealed that about 95% of respondents recognized taxation as a major source of government revenue, suggesting a general awareness of

the role of taxation in national development. However, when it came to specific knowledge about GST, the results highlighted a disparity: approximately 66% of respondents with an accounting background understood GST, compared to only 42.31% of respondents without such a background. While the majority of participants had at least some general idea of how GST was implemented in Malaysia, the researchers recommended that the government intensify efforts to increase awareness, particularly among non-specialists, by strengthening tax education programs and promoting clear communication on GST policies.

In Nigeria, another study explored public perceptions and attitudes toward VAT⁶⁴. The survey, which involved 1,476 taxpayers grouped into professionals, general businessmen, and others, revealed a widespread lack of knowledge about VAT legislation. The study found no significant differences in VAT knowledge among the three groups, indicating that ignorance of VAT laws cuts across different sectors of society. More strikingly, 78% of respondents could not distinguish between VAT and Sales Tax, reflecting widespread confusion about the system. Businessmen, in particular, showed lower levels of awareness about which goods and services were covered under VAT law. Although most Nigerians surveyed acknowledged the existence of VAT, they admitted to having little to no understanding of how it operated. This highlights the persistent challenge of low tax literacy in the country, despite VAT being one of the government's major revenue sources.

Similar challenges were identified in India, where a study surveyed 600 respondents across three zones of Uttar Pradesh⁶⁵. The findings suggested that while many consumers regularly pay taxes regardless of their educational background, their awareness of VAT remained limited. The researchers recommended a restructuring of the tax system to make it more transparent and

equitable, alongside greater investment in consumer tax education to help citizens better understand VAT rates, exemptions, and obligations.

Research conducted in Ethiopia also emphasized the administrative and social challenges of VAT⁶⁶. A study surveying 80 taxpayers in one town assessed the effect of VAT on government revenue generation, household spending capacity, and governance. Results showed a general lack of understanding of VAT implementation among ordinary citizens, which in turn reduced the system's effectiveness in revenue mobilization and compliance. This demonstrates the importance of pairing tax reforms with public education campaigns and efficient administrative practices.

Further literature on GST awareness in Malaysia confirms similar findings⁶⁷. Many Malaysians reportedly have low awareness and limited understanding of GST, with resistance to the tax system stemming largely from inadequate knowledge of tax rates, exemptions, and procedures. The lack of proper communication and taxpayer education hindered public acceptance of GST, despite its intended purpose of improving revenue mobilization.

By contrast, another study in India revealed a more encouraging outcome⁶⁸. Here, researchers found that as many as 94% of respondents were aware of GST laws, suggesting a comparatively high level of tax literacy. This indicates that awareness and acceptance of consumption taxes can be significantly improved when governments implement effective outreach programs, transparent communication strategies, and consistent education initiatives.

Taken together, these studies underscore a common theme: across different countries, consumer awareness and understanding of VAT/GST are often inadequate, and this lack of knowledge poses challenges for both tax compliance and public acceptance. Where awareness levels are low,

resistance to new tax regimes tends to be higher, while countries that invest in taxpayer education and clear communication witness greater acceptance and compliance.

An investigation was done on 'Value Added Tax and consumption expenditure of household in Nigeria'⁶⁸. The study used an ex-post facto research design to examine how the Value Added Tax affected the consumer price index and consumption expenditure patterns. They employed multiple regression models on consumer price index and household consumption expenditures for durable and non-durable products. The findings demonstrated that households' consumption expenditure on durable items was considerably impacted by the Value Added Tax and one-period delayed consumption expenditure. Value Added Tax, its version, and the amount of expenditure that preceded it did not deter households from spending, and VAT did not demonstrate a significant impact on customer cost indicators. Additionally, a positive and noticeable effect was identified for VAT in relation to households' expenditure expenditures for consumer products. Therefore, the study recommended that the current 5% VAT rate be maintained because any rise would likely have a negative impact on households and raise the buyer's price index to an unthinkable level.

'A scholar studied the effects of Value Added Tax, as a substitute for payroll or corporate taxes, in the United States and found that VAT could be regressive, raising tax burdens proportionately more on lower income than on higher income taxpayers'⁶⁹. According to a study on the possible effects of raising the VAT rate from 10% to 12% in Botswana on household consumption expenditure patterns, the price of goods and services increased, and poor households were more negatively impacted, primarily because of their higher marginal propensity to consume⁷⁰. Due to their relative freedom to modify their consumption habits in reaction to the VAT hike, the medium and upper income categories were largely unaffected.

‘A scholar studied the Economics of a Reduction in VAT in United Kingdom (UK)’⁷¹. . They looked into how lowering the VAT rate affected European retail prices using quarterly data. They provided shaky proof that the lower VAT rates in European nations had altered consumer spending patterns. One scholar examined how the structure of taxation influences exports. After outlining a theoretical framework, the scholar applied a panel model analysis covering 27 member countries of the Organization for Economic Cooperation and Development (OECD) across the period 1967 to 2003⁷². They evaluated the relationship between net exports and corporate taxes and VAT, and they directly addressed the tax mix issue. The study's overall conclusions supported the idea that while business taxes have an impact on net exports, Value Added Tax is inherently trade neutral. A researcher who anticipated a shift in consumer behavior following its implementation examined whether customers in the UK and Canada changed their spending patterns when the VAT was implemented in those nations⁷³. The graphical representation made use of both retail volume and the percentage change from the previous year. Their investigation demonstrated how consumers have adapted to exploit fluctuations in VAT through arbitrage behavior. A study examined the relationship between consumption and relative income in Northern Pakistani families⁷⁴. According to a domestic study conducted in two selected communities over the summer of 2012, a partial substitution of a VAT for income tax without zero rating or exemptions results in a regressive effect, whereby lower-income cohorts suffer and higher-income cohorts benefit. A researcher who examined quarterly data from 1987 to 2007 discovered shaky evidence of shifts in consumer behavior when VAT rates were lowered in European nations. The market capitalization of Greggs, a bakery known for its hot sausage rolls and other baked products, dropped by £20 million (\$32 million) following the United Kingdom’s announcement that hot retail food items would be subject to VAT. In a related study,

a researcher investigated the short-term effects of VAT on consumer behavior in Greece. The study aimed to analyze how VAT influences the pricing of specific goods, the consumer price index, stock performance, and the allocation of total consumption spending across different commodity categories. The following are the main empirical findings from the estimation and testing of the Static Almost Ideal Demand System (AIDS) model using time series data for thirteen commodity groups from 1958 to 1986 using the Full Information Maximum Likelihood (FIML) approach: (1) The structure of commodities pricing has been impacted by VAT at varying rates, either positively or negatively. In fact, VAT has caused the consumer price index to rise by 4.7% more than it would have otherwise. (2) VAT has changed how total consumption expenditures are distributed among the categories of products and services that are being studied. This outcome is attributed to the considerable gap between the actual and expected budget allocations, along with the substantial changes observed in both compensated and uncompensated demands. According to a related study on the Fijian economy, a 25 percent increase in the country's VAT rate resulted in an increase in real consumption, investment, and national welfare while increasing government revenue by roughly 4 percent (assuming a 100 percent collection rate) and real GDP by roughly 0.6 percent.

A researcher examined the drivers and effects of the expansion of Value Added Tax (VAT) as part of an effort to develop a model explaining VAT adoption⁷⁶. The study found that VAT had a notable, albeit conflicting, effect on economic expansion. A panel study methodology was used. The analysis used data spanning 25 years and 143 nations. The outcome showed that VAT affects revenue creation in a variety of ways, but significantly. It also showed that different countries have different VAT gains. Secondly, research was carried out to explore the influence of Value Added Tax (VAT) on investment growth in Nigeria, with the objective of assessing how VAT

affects the expansion of investments⁷⁷ Multiple regression analysis was used in the study. Value Added Tax has a major impact on the growth of investment in the nation, according to the study, which analyzed time series data on variables like government spending, investment, real interest rates, real exchange rates, and trade openness. The study's policy proposal was that in order to improve the way Value Added Tax is collected, the government should appear to be honest. Thirdly, a study looked at how the Value Added Tax affected economic expansion⁷⁸. The study employed the Engle and Granger co-integration method using annual data from 1994 to 2012. The econometric analysis revealed that VAT exerts a significant positive influence on economic growth. However, the results also indicated that there is no relationship between VAT and GDP in Nigeria in both the short and long run. A researcher examined the impact of Value Added Tax (VAT) on economic growth in the Kenyan economy⁷⁹. The study covered the period from 1973 to 2010 and utilized explanatory variables such as GDP, consumer prices measured by the consumer price index, and employment reflected by the unemployment rate, with VAT rates serving as the dependent variable. Poisson, negative binomial, and time-varying regression models were the data analysis techniques used in the study. The study found a substantial inverse link between VAT rates and GDP. According to the report, the Kenyan government should put forth great effort to preserve the favorable correlation between VAT rates and economic expansion. The empirical analysis revealed that VAT revenue played a significant role in influencing economic growth in Nigeria between 1994 and 2010⁸⁰. Using time series data analyzed through the Cobb-Douglas regression model, the study found that while VAT revenue had a positive impact on economic growth, the effect was statistically insignificant, suggesting poor management of the Value Added Tax system in the country.

Applying the Student's T-test and the Pearson product-moment correlation coefficient to test the hypotheses, a study on the effect of an efficient Value Added Tax (VAT) on economic development revealed that VAT makes a significant contribution to GDP and is therefore considered a key driver of wealth creation and economic growth in Nigeria⁸¹. In contrast, another investigation that examined the link between indirect taxes and economic growth using the Engel-Granger two-step method found the relationship to be negative and insignificant⁸². The overall indirect tax ratio appears to be a negative coefficient, thus the study employed Autoregressive Distributed Lag (ARDL) to compensate for the short- and long-term disruption. In terms of the Nigerian economy, the findings presented in this research are likely the first. Using multiple regression analysis, a researcher examined how VAT affected investment growth. They found through time series analysis that VAT had a favorable impact on investment growth. They contend that the VAT should only affect consumer prices. This should also be in line with the various stages of VAT collection and the rate of Value Added Tax.

In a study where VAT was regarded as an added cost by VAT-registered firms, it was noted that in developing economies, there is a high risk to the sustainability of VAT⁸³. The research, which empirically assessed the aggregate effects of VAT on major sectors of the Nigerian economy through a computable general equilibrium approach, revealed that a 5% VAT rate leads to a 12% rise in the overall price index. The findings further indicated that the effect of VAT on the economy is influenced by how VAT-registered businesses perceive it. Similarly, another scholar explored the impact of VAT on price stability using partial equilibrium analysis⁸⁴. According to the multiple regression used in the study model, the empirical findings of their paper verify that, between 1994 and 2010, VAT had a considerable impact on the level of prices. They emphasized in their article that VAT is not immune to inflationary effects, despite its importance as a revenue

source. Their investigation came to the overall conclusion that the VAT-induced price increase could lead to economic instability in Nigeria. They favored partial equilibrium because it has the benefit of accurate short- and long-term forecasting regardless of sample size.

The study assessed the effect of Education Tax revenue on Nigeria's economic development between 2006 and 2017⁸⁵. Specifically, it analyzed the extent to which tertiary Education Tax influenced the country's Human Development Index (HDI) and Gross Domestic Product (GDP) during this period. Data for the analysis were obtained from various sources, including the Central Bank of Nigeria's Annual Statistical Bulletin and Annual Reports, the United Nations Development Programme (UNDP) Annual Reports, and the Planning, Reporting, and Statistics Department Reports of the Federal Inland Revenue Service (FIRS). The data was analyzed using regression analysis and theme analysis. Results show that economic development is significantly impacted by Education Tax revenue, making it an essential component of government spending required for economic development. When compared to GDP and HDI, Education Tax shows a positive and significant relationship with economic development.

Given the low to medium degree of progress observed throughout the period under examination and the amount of tax money collected, the study's conclusion is that Nigeria's efforts to pursue economic development have fallen short. To promote economic development, it is necessary to push for more tax revenue creation and prudent tax revenue utilization. In other words, it is necessary to make sure that revenue leaks are minimized and that sensible spending on initiatives for economic growth and development is maintained.

The study investigated the impact of the Tertiary Education Trust Fund (TETFUND) on the management of Nigerian tertiary institutions⁸⁶. Its primary aim was to determine whether

allocations from the ETF significantly influence the enrollment ratio in these institutions. The hypothesis was developed in accordance with the study's goals. Time series and survey research designs were used. Financial ratios were used to gather data from the National Bureau of Statistics, and regression analysis was performed with the help of SPSS statistical software version 20.0. According to the study's analysis, there is no relationship between the enrollment ratio of Nigerian tertiary institutions and the allocation of ETF funds to these institutions. Based on the results, the study suggests that in order for the intervention agency to have a significant impact on its members, fund allocations should be in line with the proportion of students enrolled in Nigerian tertiary institutions.

The study examined the impact of Company Income Tax and Tertiary Education Tax on Nigeria's Gross Domestic Product (GDP)⁸⁷. Time series data were obtained from the Central Bank of Nigeria Statistical Bulletin, the Nigeria Stock Exchange Fact Book, the Federal Inland Revenue Service website, and other relevant publications. The Simple Regression Technique was applied to test the hypotheses, while correlation analysis was employed to assess the relationship between the dependent and independent variables. Findings revealed that both Company Income Tax and Tertiary Education Tax have a significant effect on Nigeria's GDP. The independent variables showed a strong and positive correlation with GDP, indicating that these taxes are key determinants of economic growth in developing nations such as Nigeria. The study concluded that GDP can be reliably predicted using Company Income Tax and Tertiary Education Tax. Based on the results of data analysis, the federal, state, and municipal governments must work to increase their internally generated revenue from sources other than oil taxes.

Analyzes the dynamic responses, causality and interrelationships among government education expenditure, taxation and economic growth in Nigeria⁸⁸. The VECM and VEC Granger causality

were examined between 1981 and 2013. The VEC test showed that there was unidirectional causality between government spending on education, taxes, and economic growth in Nigeria; however, with the onset of the 2008–2009 recession, a bidirectional causal relationship between the economic recession indicator, government spending on education, and human capital development emerged. The Forecast Error Variance Decomposition also showed that the growing trends in Nigeria's tax revenue profile were primarily responsible for the significant fluctuations in the country's real per capita GDP growth rate and education spending. Additionally, a significant portion of the variability in economic recession can be attributed to human capital development, "own shocks" of the recession, and variability in the shocks of economic growth. The economy moderately adapts to changes in the nation's government spending on education, and the responsiveness of government spending on education is significant and outpaces the responsiveness of human capital development, the RGDP per capita growth rate, and total tax revenue, according to the VECM estimation, which assessed the dynamic adjustment of the multivariate model. The onset of the economic slump had a considerable and distinct impact on these error correcting coefficients. After clearly outlining the study's implications, a well-restructured, forward-looking fiscal policy was suggested to guarantee the swift achievement of the nation's macroeconomic objectives.

The study explored the idea that formal education fosters economic growth, using Nigerian data spanning 1980 to 2005⁸⁹. Employing time series econometric techniques, it tested the hypothesis that improvements in the education sector can drive economic expansion. Results revealed a correlation between public expenditure on education, primary school enrollment, and economic growth. The analysis confirmed that government investment in education positively influences economic growth, though the reverse effect was not observed. The tests also showed that public

recurring spending on education and economic growth are causally related in both directions. Growth, primary school enrolment, and economic growth were not found to be causally related to Education Taxes. In order to better meet the demands of Nigerian society, the report suggests enhancing funding for the education system and reviewing primary school curricula.

A researcher analyzed the effect of tax reforms on Nigeria's economic growth between 2007 and 2017⁹⁰. In this study, GDP served as the dependent variable, while Petroleum Profit Tax, Company Income Tax, Value-Added Tax, Education Tax, Personal Income Tax, and Customs and Excise Duties were used as independent variables. The Augmented Dickey-Fuller test was applied to check for unit roots, while Johansen's Co-integration test and the error correction model were employed for regression analysis. The results showed a positive relationship between tax revenue and economic growth in Nigeria. The study further revealed a long-run equilibrium connection between GDP and the tax variables, with changes in tax revenue accounting for 54% of the variation in GDP. With the exception of Company Income Tax and customs and excise charges, which were significant at 5 percent, all of the series were stationary at 1(1) and significant between 1 and 5 percent, according to the results of the variables' augmented Dickey-Fuller test. Using pertinent descriptive statistics and econometric analysis⁹¹, the study examines how tax income affects Nigeria's economic growth. Based on a variety of findings, it was shown that tax income had a positive and significant relationship with economic growth. Additionally, tax income enhances the government's revenue-generating apparatus to carry out social initiatives that will result in an increase in actual output. To date, nevertheless, his perspective has been the most thorough analysis of how tax revenue affects Nigeria's economic expansion. Since the VAT rate remains the same for both low and high value-added transactions, efficiency is not negatively affected. For example, capital formation is easier to achieve under VAT compared to

sales tax. To minimize the cost of VAT collection in some countries, a self-assessment system has been introduced, allowing businesses and sellers to remit taxes monthly or quarterly based on their sales and purchase records. When administered by honest and competent officials, VAT becomes difficult to evade. Moreover, VAT has the potential to harmonize consumer taxes within a customs union of multiple countries, such as the EEC or ECOWAS, by relying on sales and purchase data.

A researcher has argued that one of the key strengths of Value Added Tax (VAT) lies in its ability to eliminate the element of double taxation that may arise under traditional sales tax systems⁹². Both VAT and sales tax are based consumption taxes, meaning that they are ultimately borne by the final consumer rather than producers. However, their bases differ: sales tax is imposed on the final consumer price of taxable goods, whereas VAT is levied on the value added at each stage of the production and distribution process.

VAT is widely regarded as administratively superior to sales tax. Under a sales tax regime, sellers are tasked with the responsibility of determining whether buyers are eligible for exemptions, which often creates room for errors, disputes, and tax evasion. By contrast, the VAT structure simplifies this process by requiring sellers to collect tax on every transaction without needing to verify the exemption status of buyers. This makes VAT more transparent and systematic. Additionally, VAT fosters compliance by creating a self-enforcing mechanism between buyers and sellers. Since both parties have incentives to maintain accurate records of transactions buyers in order to claim input tax credits and sellers in order to offset their liabilities there is less opportunity for tax evasion compared to sales tax. The compulsory issuance of invoices under VAT further strengthens this mechanism, enabling tax authorities to conduct cross-checks quickly and efficiently, which is far more difficult under a sales tax system.

Countries that have adopted VAT often highlight several reasons for their preference. Firstly, VAT provides more comprehensive coverage than sales tax. While sales tax is generally limited to tangible goods, VAT is better suited to incorporate services within its tax base, thereby broadening the scope of taxable economic activity. Secondly, VAT offers a more effective framework for adjusting taxes on exports and imports, ensuring that international trade is treated fairly within a country's fiscal policy. Thirdly, VAT's potential for generating substantial government revenue is considerably higher than that of sales tax, making it more attractive to governments seeking sustainable sources of income.

On the issue of administrative and compliance costs, however, the picture is mixed. Sales tax is generally considered simpler to administer and comply with since it is collected only at the final stage of the supply chain and does not require detailed record-keeping at multiple stages. VAT, by contrast, demands more extensive bookkeeping, monitoring, and reporting from both businesses and tax authorities. This may initially increase compliance costs, especially for smaller enterprises. Nevertheless, in the long run, VAT's comprehensive nature, transparency, and revenue-generating capacity often outweigh these administrative challenges, explaining why many countries have increasingly adopted it as their preferred system of indirect taxation.

A scholar noted that the advantages of Value Added Tax (VAT) far exceed the administrative costs involved in its implementation⁹³. Unlike revenue from inflationary financing or taxes on primary commodities and crude oil which are highly vulnerable to price instability in the global market VAT provides a more stable and dependable source of income. Its broader revenue-generating capacity strengthens the ability of governments to rely more on internally generated funds, thereby reducing dependence on volatile external markets and ensuring a more consistent flow of public revenue. A VAT is frequently seen as the most effective means of fostering

consistency and neutrality in the tax burden as well as facilitating more industrialization and production. For the majority of nations that use it, a VAT is now a vital component of total revenue and is a thriving revenue stream that is strongly correlated with rising consumption. For example, it still has some contentious aspects, and administering it is costly. It is regressive. Due to VAT been costly, it would necessitate the growth of internal revenue services; but, because of its large revenue yields, administrative costs would be calculated as a percentage of revenue yield.

Scholars emphasized that any reform initiative in developing countries should prioritize broadening the Value Added Tax (VAT) base while lowering tax rates⁹⁴. They argued that many developing nations often rely on imposing relatively high tax rates on a narrow base, a practice that encourages tax evasion, fosters corruption, and undermines the overall effectiveness of the tax system. By contrast, a broader tax base ensures that a wider range of goods and services are taxed, thereby reducing distortions, enhancing fairness, and improving efficiency.

Expanding the VAT base also ensures that individuals and economic activities in similar circumstances receive comparable tax treatment, thereby strengthening equity within the system. A narrow VAT base typically contains numerous exemptions, which complicates administration and creates loopholes that taxpayers may exploit. On the other hand, a broad-based VAT minimizes exemptions, reduces opportunities for fraud, and improves transparency. Moreover, the broader the tax base, the lower the rate required to generate the same amount of government revenue, which ultimately reduces the burden on taxpayers and enhances voluntary compliance.

The exclusion of certain items from VAT is usually justified on two main grounds: (i) administrative difficulty, since it can be challenging to track and collect VAT from certain goods and services particularly where sellers operate informally and can easily underreport sales; and (ii)

equity concerns, since some goods (such as basic food items) constitute a disproportionate share of low-income households' expenditure, and taxing them heavily would worsen inequality.

Additionally, the report highlighted that VAT does more than just raise revenue. By creating a trail of verifiable records across production and distribution channels, it indirectly strengthens the ability of governments to improve the collection of other forms of taxation, such as corporate income tax. This is because VAT invoices and transaction records help to formalize business activities and limit opportunities for underreporting income. International experiences were cited to reinforce these points. Countries like Indonesia, Turkey, Korea, and Colombia have demonstrated how VAT can be successfully implemented to expand government revenue and reduce the efficiency costs of taxation. However, in many developing nations, including Nigeria, VAT faces the persistent challenge of limited coverage due to the dominance of the informal sector, where economic activities remain largely outside the tax net. This structural limitation reduces VAT's potential impact, making it difficult to fully harness its advantages without complementary policies that address informality and enhance compliance.

One scholar conducted an empirical investigation into the macroeconomic impact of Value Added Tax (VAT) in the Nigerian Federation using a computable general equilibrium (CGE) model to capture the dynamics of the tax system⁹⁵. The findings revealed that Nigeria already derived a substantial share of its public revenue from VAT. For instance, in 1994 the year VAT was first introduced real VAT revenue was already running into billions of naira, demonstrating its strong revenue-generating capacity from inception.

To further analyze the Nigerian context, the study employed three distinct scenarios in 1995 to simulate how VAT performed under different economic conditions. The results highlighted that

the declining treatment of VAT within a dynamic economic system had the most adverse consequences in the scenario that most closely mirrored Nigeria's real situation. This meant that, in practice, the Nigerian VAT structure struggled under certain macroeconomic pressures.

Moreover, the analysis assumed that the government pursued an active fiscal policy, whereby VAT proceeds were reinvested into the economy. However, the study also noted that Nigeria's VAT system although designed to function as a non-cascading tax (avoiding tax-on-tax effects) still faced challenges in achieving this efficiency, particularly when applied to a highly informal and weakly structured economy.

In addition to this CGE-based analysis, another scholar empirically examined the impact of VAT on economic growth (GDP) and total tax revenue in Nigeria. Their findings indicated that VAT plays a dual role: not only does it provide a significant stream of government revenue, but it also influences overall economic performance. The study suggested that when VAT is efficiently administered and revenues are reinvested into productive sectors, it can positively stimulate growth and development. Conversely, inefficiencies in VAT collection or narrow coverage of the tax base limit its potential benefits. There is need to assess the contributions to total income and gross domestic product since the VAT was implemented in the country in 1994. Two hypothesis were put out, the first of which was that VAT has no significant impact on GDP (HO1) while HO2 was that the total tax returns are not significantly impacted by VAT. With the use of SPSS, time-series data pertaining to VAT, GDP, and total revenue for the years 1994–2010 were analyzed using the simple linear regression technique. The regression analysis's findings demonstrated that VAT significantly affects both GDP and total tax revenue. This indicates that both of the null assumptions (Ho) are true.

A researcher conducted a scientific investigation into the impact of taxation on Nigeria's microeconomic performance between 2002 and 2011⁹⁷. Data for the study was obtained from secondary sources, while the regression method of Ordinary Least Squares (OLS) was employed to test three hypotheses. The study emphasized that for Nigeria to achieve sustainable and rapid economic growth, the government must actively support local producers by introducing tax incentives that encourage domestic output. The findings further revealed that tax-generated revenue significantly affects consumer expenditure patterns and has the potential to stimulate higher levels of production.

In addition, the research suggested that by raising import duties to discourage the excessive inflow of foreign goods which often undermines the Value Added Tax (VAT) on locally produced items the government could enhance cumulative tax revenue, thereby fostering greater economic development. Using time-series data covering two decades of tax administration, the study underscored the importance of maintaining fairness in the determination of personal income taxes, so as not to discourage consumer spending but rather strengthen purchasing power. The statistical bulletin of the Central Bank of Nigeria (CBN) served as the main data source for the analysis.

A scholar pragmatically concentrated on analyzing 'the impact of value-added tax (VAT) on the economic growth of Nigeria'⁹⁸. The Johansen Co-integration test was utilized for data analysis. The outcome demonstrates that the value-added tax benefits Nigeria's economic growth. The researcher comes to the conclusion that Nigerian authorities ought to stick with this budgetary strategy while including other macroeconomic metrics. Adopting this strategy will have a favorable impact on the Nigerian economy, particularly during global economic downturns. During the investigation of the nexus between value-added tax and economic growth⁹⁹. The data

were put through diagnosis tests, examined using the Ordinary Least Square regression technique, and checked for stationarity using the Augmented Dickey-Fuller approach. The analysis's conclusion indicates a negative relationship between Value Added Tax and economic expansion. We changed the dependent variable to total tax revenue and total federally collected revenue in order to assess the result's robustness. Both outcomes were statistically significant and unfavorable. The inverse link demonstrates that Nigeria's inadequate Value Added Tax administration is causing leaks. It is recommended that the FIRS initiate a human resource capacity-building program alongside an awareness campaign to tackle the growing challenges of effective tax administration in Nigeria and curb revenue leakages.

In examining the impact of Value Added Tax (VAT) on the Nigerian economy, an ex post facto research design was adopted¹⁰⁰. The study measured the economy using Gross Domestic Product (GDP), Per Capita Income (PCI), and Total Revenue (TR) covering the period 2003 to 2015. Data on VAT, GDP, PCI, and TR were sourced through secondary means from the Federal Inland Revenue Service, the Federal Ministry of Finance, relevant journals, and the CBN statistical bulletin. Simple regression analysis was employed to analyze the data. Findings revealed that VAT had no significant effect on Nigeria's GDP, showed a negative relationship with per capita income, but had a positive correlation with the Federal Government's overall revenue. Although VAT positively contributes to revenue generation, the evidence suggests that its impact on economic growth is limited, resulting in slow economic development. Consequently, the study recommends that the Nigerian government adopt fiscal policies that encourage greater investment in industry, technology, and agriculture to enhance productivity and stimulate broader economic growth.

A researcher investigated the link between Value Added Tax (VAT) and economic development in Nigeria over an 18-year period, from 1994 to 2012¹⁰¹. Data were obtained from various editions of the Central Bank of Nigeria (CBN) Statistical Bulletin and analyzed using multiple regression techniques. The analysis showed a strong negative relationship between VAT revenue and GDP, while a significant positive relationship was found between total consolidated revenue and GDP. In order to promote economic development, we advise the federal government to increase public awareness of the need of paying VAT and to install mechanisms that would guarantee a decrease in VAT revenue. Since it will generate more cash for the government, the VAT rate ought to be raised. The effect of Value Added Tax (VAT) on Nigeria's economic activities between 1994 and 2014 was investigated¹⁰². The study utilized quarterly data spanning from the fourth quarter of 1994 to the fourth quarter of 2014 and applied a co-integration test for analysis. Findings revealed that VAT had a significant positive influence on economic growth. Similarly, other government revenues such as oil earnings and non-VAT receipts into the federation account were also shown to have a positive relationship with economic growth during the period under review.

A study explored the relationship between Value Added Tax (VAT), total government revenue, and Gross Domestic Product (GDP) in Nigeria from 1994 to 2014, using secondary data sourced from the Central Bank of Nigeria (CBN) statistical bulletin¹⁰³. Employing the Phillip Perron unit root test, the findings showed that all variables were stationary at their first differences. Additionally, a correlation test was conducted to assess the strength of their relationships. The analysis found that over the time under examination, there was a substantial long-term positive correlation between Nigeria's GDP and Value Added Tax as well as government total revenue.

While assessing the impact of value-added tax, customs, and excise duties on Nigeria's economic growth¹⁰⁴. When collecting data, secondary sources were investigated, and when analyzing the data, a straightforward regression technique was used. The relationship between Nigeria's gross domestic product and non-oil revenue streams was evaluated using correlation analysis. The results show that Nigeria's GDP is impacted by all non-oil tax sources. Regarding the relationship between the variables under study, each one has a very strong association with the others. The study's findings revealed that value-added tax, along with customs and excise duties, are key contributors to Nigeria's GDP¹⁰⁵. Another scholar examined the impact of value-added tax on economic growth between 1990 and 2014. The research established a significant negative relationship between VAT rates and GDP in Kenya. It further indicated a weak positive correlation between the consumer price index and VAT rates, as well as a strong positive correlation between the unemployment rate and VAT rates during the study period. Overall, the empirical evidence highlighted the limited scholarly attention given to indirect taxation and revenue generation in Nigeria. This underscored the need to further investigate the role of indirect taxes in revenue mobilization, while also extending the scope of prior studies on internally generated tax revenue in relation to consumption.

A researcher conducted an empirical investigation into the impact of Value Added Tax on Nigeria's economic growth between 1994 and 2012¹⁰⁶. Data were sourced from the Federal Inland Revenue Service (FIRS) reports and the Central Bank of Nigeria (CBN) statistical bulletin. To test the formulated hypotheses, three models were estimated using the Ordinary Least Squares (OLS) method. The models' findings showed that VAT significantly and favorably impacted Nigeria's economic growth as measured by GDP. It showed that, during the analyzed period, there was a positive link or influence of VAT on overall tax revenue. Therefore, among other

things, it was suggested that the government implement policies to efficiently use the VAT revenue generated for economic and infrastructure development. In order to stimulate economic growth in Nigeria, it also suggests reviewing tax incentives to draw in both domestic and foreign investors. A study investigated the role of VAT in Nigeria's economic development using time series data on GDP, VAT revenue, total tax revenue, and federal government revenue from 1994 to 2010. The analysis, which combined descriptive statistics with basic regression techniques, revealed that about 92% of the significant fluctuations in Nigeria's GDP could be explained by VAT revenue and overall government revenue. The findings further indicated a strong positive relationship between GDP and VAT revenue. While VAT revenue remained relatively stable throughout the period, the other economic indicators experienced considerable variation. The study recommended closing all identified loopholes to ensure VAT continues to make a stronger contribution to Nigeria's economic growth.

A study was carried out to evaluate the impact of Value Added Tax (VAT) on revenue generation as a means of achieving sustainable development in Nigeria¹⁰⁸. The study was anchored on the Revenue Productivity Theory, which emphasizes the capacity of a tax system to generate high revenue at a relatively low cost, provided it operates on a broad and inclusive tax base. Using log-linear regression analysis on time series data with the aid of E-Views 7.0, the researchers found a positive tax elasticity and buoyancy of 0.186. This result indicates that VAT in Nigeria is not only a viable tax instrument but also possesses considerable potential to provide the government with stable and adequate revenue for developmental purposes. Despite this potential, the study observed that government policies introduced several exemptions, concessions, and arbitrary waivers—especially targeted at unproductive sectors and failing enterprises. These measures significantly eroded the VAT base, thereby undermining revenue productivity. The

outcome was persistent annual budget deficits and weak fiscal performance, highlighting the inability of VAT to respond effectively to GDP growth under such conditions.

Furthermore, the study raised concerns over the inappropriate VAT threshold, which created opportunities for abuse and inefficiency, ultimately leading to revenue shortfalls. The findings also emphasized that such structural weaknesses could distort the consumer price index (CPI), triggering inflationary pressures and further reducing the effectiveness of VAT in promoting economic growth. To address these challenges, the study recommended a comprehensive review of Nigeria's tax administration system with special focus on modernizing VAT collection. Specifically, it proposed leveraging technology in tax collection mechanisms, reducing administrative costs, and improving compliance rates. It further suggested that automation of processes, strengthening consumer information systems, and designing tax instruments flexible enough to adapt to fluctuations in GDP would help maximize the revenue potential of VAT while minimizing distortions to the economy.

A study investigated the effect of Value Added Tax (VAT) on Nigeria's economic growth by analyzing VAT components (input tax and output tax) and their influence on the economy¹⁰⁹. Using a longitudinal research design, secondary time series data covering 2009–2018 were obtained from the Central Bank of Nigeria (CBN) statistical bulletin. The data were analyzed with the coefficient of determination (R^2), t-test, F-test, and Durbin-Watson statistics. The findings revealed that both input and output taxes exert a positive and significant impact on economic growth. The study further established that VAT contributes substantially to overall tax revenue and, by extension, Nigeria's economic growth. Although VAT revenue consistently increased throughout the period, the growth was not rapid.

Similarly, another study examined the impact of VAT on Kenya's economic growth between 1973 and 2010¹¹⁰. Employing an econometric framework, with the Ordinary Least Squares (OLS) method for estimation, the study assessed the relationship between VAT and economic performance. The results showed a positive but statistically insignificant relationship, leading to the conclusion that VAT's effect on Kenya's economic growth was not strong enough to produce a significant influence.

An investigation explored the link between value-added tax and Nigeria's economic growth from 1994 to 2015, employing econometric techniques such as co-integration and the error correction model for analysis. The co-integration results indicated a long-term relationship among the variables¹¹¹. According to their research, interest rates, exchange rates, and value-added taxes all significantly impacted Nigeria's economic growth over the study period. Furthermore, there is no meaningful correlation between Nigeria's economic growth and private domestic investment. Additionally, it was discovered that the parsimonious ECM's coefficient has a statistically significant negative sign, indicating that the long-term equilibrium connection is adjusted by the short-term dynamics. They therefore draw the conclusion that VAT revenue had a favorable effect on Nigeria's economic expansion.

A study assessed the effect of value-added tax on the Nigerian economy between 2003 and 2015, employing an ex-post facto research design¹¹². To measure economic performance, indicators such as Gross Domestic Product (GDP), Per Capita Income (PCI), and Total Revenue (TR) were used. Secondary data were obtained from the Central Bank of Nigeria (CBN) statistical bulletin, the Federal Inland Revenue Service, the Federal Ministry of Finance, and relevant journals. Simple regression analysis was applied in analyzing the data. The findings revealed that VAT had no significant effect on Nigeria's GDP. The results also showed a negative relationship

between VAT and per capita income, but a positive relationship between VAT and the Federal Government's total revenue generation. Although VAT contributed positively to revenue mobilization, the study concluded that its impact on Nigeria's overall economic growth remained modest. Similarly, another researcher examined the influence of VAT on economic growth in Kosovo by analyzing VAT collection trends from 2005 to 2015 through descriptive methods that highlighted patterns and data structure over time¹¹³.

The study employed two main approaches to analyze the influence of Value-Added Tax (VAT) on economic growth in Kosovo: descriptive trend analysis and econometric methodology through simple regression. The descriptive analysis examined the trends in VAT collection and contrasted them over the years, providing insights into the structure and progression of VAT revenue. On the other hand, the econometric approach was applied to establish the statistical relationship between VAT and economic growth indicators, specifically Gross Domestic Product (GDP). One of the critical findings of the research was Kosovo's heavy reliance on border-based VAT collection, highlighting a structural weakness in its domestic tax system. This dependence suggested that internal mechanisms for VAT collection remained underdeveloped, thereby limiting the efficiency of revenue mobilization within the country. Furthermore, when compared to other developing European nations, the study revealed that VAT's contribution to Kosovo's domestic GDP was relatively low, emphasizing a gap in the country's fiscal performance.

The regression results provided further evidence of VAT's importance in the economy. With a significance level of 0.000 (well below the 1% threshold), the findings confirmed that the regression coefficient was statistically valid. This indicates that VAT exerts a significant and measurable effect on GDP in Kosovo. In addition, the analysis uncovered a positive and

substantial correlation between VAT and GDP, implying that any increase in VAT collection is likely to lead to an increase in Kosovo's GDP.

Taken together, these outcomes suggest that VAT plays a crucial role in fostering Kosovo's economic growth. While the country faces challenges in broadening its tax base and reducing its reliance on border collection, the results underline the fact that strengthening VAT systems could serve as a powerful tool for enhancing revenue generation and accelerating economic development. The dual use of descriptive and econometric analyses not only reinforced the validity of the findings but also highlighted VAT as a central pillar in shaping Kosovo's fiscal and economic trajectory.

A research study explored the impact of value-added tax (VAT) on economic growth, with a particular focus on developing countries between 1995 and 2010¹⁴. To address the nature of the data and the structure of the model, the researchers applied the Generalized Method of Moments (GMM) panel technique for their analysis. The findings revealed that VAT negatively affects capital accumulation at the growth level. However, the positive contribution of VAT to overall economic growth appears to operate through alternative channels, rather than through increased savings or its influence on capital formation.

In a related study on Nigeria, researchers examined the role of VAT in the nation's economic growth and development, emphasizing the urgent need for tax reforms. Their work highlighted that while VAT contributes meaningfully to government revenue, structural inefficiencies and loopholes undermine its full potential. Thus, they recommended comprehensive reforms to enhance VAT administration and ensure it plays a stronger role in stimulating Nigeria's sustainable growth and development¹⁵. The study employed an ex-post-facto, descriptive, and

analytical research design. Secondary data on VAT and GDP covering the period 1994 to 2015 was collected and analyzed to examine the nature of their relationship. Findings revealed a positive link between VAT and GDP, with the model's coefficient showing that a 0.01% rise in VAT results in a 0.88% increase in GDP. This indicates a strong positive correlation between the two variables. Consequently, the study emphasized the need for comprehensive VAT reform, particularly in terms of rate adjustment and a clearer specification of exempted goods and services.

One study investigated the effect of value-added tax (VAT) on revenue generation in Nigeria. The variables considered in the analysis included Total Federal Collected Revenue (TFCR), VAT, Petroleum Profit Tax, Company Income Tax, and Education Tax¹¹⁶. Using stepwise regression analysis, the study examined the relationship between the dependent variable (TFCR) and the independent variables that satisfied the entry probability condition of $P \leq 0.05$. The findings revealed that all four independent variables—VAT, Petroleum Profit Tax, Company Income Tax, and Education Tax—exhibited a strong positive correlation (0.971) with TFCR. This indicates that, collectively, these variables significantly influence federal revenue generation in Nigeria. Among them, VAT demonstrated the strongest relationship with TFCR, followed by Petroleum Profit Tax.

A researcher empirically examined the effect of tax reforms on Nigeria's economic growth and discovered that all forms of income tax had positive coefficients, indicating that tax reforms can promote economic growth¹¹⁷. Similarly, another study on tax reforms and economic growth revealed that tax reforms are both positively and significantly associated with economic growth and that they also Granger-cause economic growth¹¹⁸. A study on the impact of taxation on Nigeria's economic growth from 1986 to 2011, using an econometric model, revealed a

significant link between tax composition and economic growth¹¹⁹. When the impact was broken down into direct tax, indirect tax, and total tax revenue, the results showed a significant positive relationship between both direct and indirect taxes and economic growth, while total tax revenue was found to have a negative relationship with economic growth. Another researcher, using a 17-year time series dataset, examined the role of Value Added Tax (VAT) in Nigeria's economic growth¹²⁰. By applying simple regression analysis and descriptive statistics, the study revealed that VAT revenues and total revenues explained up to 92% of the significant variations in Nigeria's GDP. It further established a positive but insignificant correlation between VAT revenue and GDP¹²¹. Similarly, another study that examined the effect of Value Added Tax on Nigeria's economic growth employed the Ordinary Least Squares (OLS) method to analyze 20 years of data. The findings indicated that VAT makes a significant contribution to government revenue and plays an important role in driving Nigeria's economic growth.

A study investigated the short-term effects of Value Added Tax (VAT) on consumption patterns in Greece¹²². The research aimed to assess how VAT influenced individual commodity prices, the consumer price index, expenditure shares, and the allocation of total consumption across different commodity groups. Using time series data covering thirteen commodity groups from 1958 to 1986 and applying the Full Information Maximum Likelihood (FIML) method to estimate a static Almost Ideal Demand System (AIDS) model, the study found that VAT had both positive and negative impacts on commodity prices. Specifically, the consumer price index increased by 4.7% above its pre-VAT level. Additionally, VAT led to changes in how total consumption expenditures were distributed among the examined groups of goods and services. A scholar conducted a study on the challenges of implementing VAT on E-Commerce transactions in Indonesia¹²³. 216 account representatives in Kantor Pelayanan Pajak Pratama in DKI Jakarta

constituted the sample of the study. Primary data were collected through interviews and the administration of questionnaire. Frequency, simple percentages and graphs were used to analyse the data. Based on the results, it was concluded that the challenges of implementing VAT on e-commerce transactions in Indonesia are identifying taxpayers engaged in e-commerce, determining taxpayer's jurisdiction, incompleteness of records, identifying electronic and physical products, lack of audit trails, and lack of system controls.

A study explored the relationship between Value Added Tax (VAT) and total tax revenues in Zimbabwe over the period 2011–2017 using time series analysis¹²⁴. The regression results indicated that VAT on local sales had a positive and significant effect on total revenue, whereas VAT on imports had a negative impact. The study also noted the revenue authority's recognition of Automated Teller Machines (ATMs) in tax collection. Additionally, another study investigated the effect of Company Income Tax on Nigeria's economic growth over an eleven-year period from 2007 to 2017¹²⁵. The study utilized multiple regression analysis and descriptive statistical methods to examine data on Gross Domestic Product and Company Income Tax. The results revealed that Company Income Tax significantly affects economic growth in Nigeria. Consequently, the researchers recommended reviewing Company Income Tax policies to close loopholes that allow companies to evade tax payments.

A study utilized a combination of co-integration and Error Correction Models to assess the impact of indirect taxes on Nigeria's economic growth¹²⁶. The short-run dynamics were analyzed using the Engle-Granger two-step procedure, while differences between the short- and long-term effects of the explanatory variables were addressed through an Autoregressive Distributed Lag (ARDL) approach. Motivated by the global shift from direct to indirect taxation, the study employed data from the Central Bank of Nigeria covering 1980 to 2011. The findings indicated a

negative but statistically insignificant relationship between Value Added Tax (VAT), Customs and Excise Duties (CED), and economic growth.

A study investigated the causal relationship between Value Added Tax (VAT) and economic growth in Nigeria over the period 1980 to 2016, employing a simple linear regression technique for data analysis¹²⁷. The study used Gross Domestic Product (GDP), VAT, domestic investment, degree of openness, corruption index, interest rate, and real exchange rate as proxy variables to assess the relationship between VAT and economic growth. The results indicated that VAT, domestic investment, and the degree of openness have significant positive effects on Nigeria's GDP, whereas the corruption index exhibits a significant negative effect on GDP. Based on these findings, the study recommended closing tax administrative loopholes to enhance the contribution of tax revenue to economic growth. It also advised that the government engage tax professionals to curb tax malpractices and other forms of tax evasion.

A researcher conducted a study to examine the relationship between Value Added Tax (VAT) and economic growth in Nigeria from 1994 to 2017, using variables such as GDP growth rate, VAT, labor force participation, investment share of GDP, openness, and population growth rate¹²⁸. The study applied the Ordinary Least Squares (OLS) regression technique to analyze the data. The findings indicated a negative relationship between VAT and economic growth in Nigeria. In contrast, labor force participation, investment share of GDP, and population growth rate were found to have positive effects on GDP. Additionally, the study found that openness negatively relates to economic growth. The researcher suggested that the observed negative relationship between VAT and economic growth may be due to leakages caused by poor VAT administration in Nigeria¹²⁹. To address these leakages, it was recommended that the Federal

Inland Revenue Service (FIRS) implement awareness campaigns and invest in human resource capacity building to tackle the increasing challenges of efficient tax administration in Nigeria.

A study examined the causal relationship between Value Added Tax (VAT) and the Nigerian economy over a 21-year period from 1994 to 2015¹³⁰. Data on VAT and Gross Domestic Product (GDP) were sourced from the Central Bank of Nigeria (CBN) Statistical Bulletin and the Federal Inland Revenue Service (FIRS). The analysis was conducted using the Error Correction Model (ECM). Findings revealed that VAT has a positive and significant effect on GDP, with evidence of unidirectional causality running from VAT to GDP. A scholar noted that the introduction of VAT in Nigeria was motivated by the understanding that taxation, as a fiscal policy instrument, can serve as a crucial mechanism for generating government revenue, redistributing income, stabilizing the economy, and promoting economic growth and development¹³¹. A scholar noted that VAT replaced Sales Tax in 1994 because it applies to a wider array of goods and services, prioritizes employment over consumption, ensures neutral treatment of imports and exports at the same rate, and is considered an effective fiscal instrument for controlling inflation in the country¹³².

A study examined the econometric impact of Value Added Tax on economic growth in Nigeria, using the Engle and Granger co-integration method on annual data from 1994 to 2012¹³³. The findings indicated that VAT positively affects economic growth, as measured by real GDP, but revealed no significant short-run or long-run relationship between VAT and GDP. Additionally, a scholar analyzed the relationship between VAT and economic growth in Nigeria using the Ordinary Least Squares (OLS) technique to test the formulated hypotheses¹³⁴. The study revealed that VAT plays a significant role in boosting government tax revenue and, consequently, contributes to Nigeria's economic growth. Another scholar examined the effects of Value Added

Tax on Nigeria's economic growth from 1994 to 2010¹³⁵, employing a linear regression approach¹³⁵. The findings showed that VAT has a significant impact on both GDP and total tax revenue. The study recommended that the government engage in public sensitization to facilitate an increase in the VAT rate, thereby expanding annual revenue and promoting economic development.

A study examined the causes and effects of the global adoption of Value Added Tax (VAT) by analyzing a panel of 143 countries over a 25-year period¹³⁶. The results indicated that VAT has a significant but uneven impact, meaning that while some countries experienced financial gains from implementing VAT, others did not. Overall, VAT implementation led to a long-term increase in the total revenue-to-GDP ratio of approximately 4.5 percent. However, when the impact of VAT is allowed to vary across countries, the effect may become negative, although the benefits tend to be greater in more open economies with higher income levels. Another study investigated the revenue effectiveness of VAT in the SAARC region¹³⁷. To determine the effect of VAT on revenue ratios, panel data covering various macroeconomic indicators from 1995 to 2010 was gathered for the SAARC countries. The findings point to a successful set of factors that influence the adoption of VAT since it is an essential tool for tax collection and revenue ratio improvement. The findings indicate that the majority of SAARC nations who implemented Value Added Tax (VAT) have improved their GDP to revenue ratio by gaining a more efficient tax tool. Similarly, a researcher looks at how Value Added Tax (VAT) affects Pakistan's economy. use data from household surveys to understand how the Value Added Tax (VAT) affects people's social and economic lives. The findings indicate that VAT would disrupt the societal economic system.

A study examined the effect of raising VAT rates with a focus on addressing poverty and inequality¹³⁸. An empirical model grounded in consumer demand theory was developed to assess the impact. Simulation results indicated that higher VAT rates would significantly worsen poverty. While the increased rate negatively affected overall consumption, its impact on the poor was more pronounced than on the wealthy¹³⁹. Another research analyzed the ratio of government revenue to GDP following VAT implementation in 11 European countries, concluding that introducing VAT immediately boosted the tax-to-GDP ratio, which then continued to grow at this elevated level.

A scholar analyzed the contribution and performance of VAT in Bangladesh in comparison with other developing countries¹⁴⁰. The findings revealed that although VAT performed well during its initial years, revenue collection eventually leveled off. The report attributed this stagnation to weak monitoring systems, limited public awareness, and a relatively small VAT-paying population. Additionally, a researcher studied the impact of VAT implementation on the export of goods and services in selected countries¹⁴¹. To assess sensitivity across different measures, the study utilized four distinct export indices: export of goods and services, export of goods and services (BOP), annual percentage growth of exports of goods and services, and exports of goods and services as a percentage of GDP. Using mean difference statistical tests over two separate three-year periods before and after VAT implementation the findings indicate that VAT had a positive impact on exports across all indices.

A researcher examined how the standard VAT rate, reduced rates, and the shadow economy influenced VAT revenue in Lithuania¹⁴². The study employed multiple regression, correlation analysis, optimization techniques, and C-effectiveness ratio analysis to evaluate the VAT system, the trends in revenue collection, and amendments to the VAT law that either broadened or

narrowed the taxable base, based on theoretical insights from the literature. According to the report, the changes made to the Value Added Tax Law that narrowed and expanded the taxable base had an impact on how much money was collected from VAT and sent to the budget. The growth pattern of VAT in European Union (EU) countries was studied to ascertain whether the implementation of VAT has led to an increased in the overall tax burden¹⁴³. Utilizing apparently unrelated regression (SUR) and ordinary least squares (OLS). They discovered that VAT has frequently been criticized for being a regressive tax and a government money engine. However, the findings demonstrate that VAT may be implemented without turning into a government money machine. They contend that rather than increasing the total tax burden, EU nations used VAT to replace a variety of indirect levies.

A study examined the significant impact of Value Added Tax (VAT) on Nigeria's output growth¹⁴⁴. The empirical analysis employed the Ordinary Least Squares (OLS) regression technique. The findings indicated that VAT has a positive effect on output growth, revealing a strong and favorable correlation between Nigeria's output growth and VAT. The study further suggested that historical VAT data could be used to predict future trends in output growth. The main conclusion was that VAT can help diversify government revenue, reducing dependence on oil and providing sufficient funding to support economic growth and development. Additionally, a researcher investigated the effects of VAT on businesses, wholesalers, retailers, chartered accountants, tax officials, and consumers in Delhi, aiming to develop practical recommendations for more effective VAT implementation. With the aid of a questionnaire, primary data is gathered from corporate firms, tax officials, chartered accountants, wholesalers, retailers, and consumers. A three-part questionnaire was created and completed. Demographic information and optional questions make up the first section of the survey. According to the survey, all Indian states must

implement VAT transparency requirements. It is discovered that wholesalers, retailers, and consumers all receive VAT through the same method.

A study explored the effect of Value Added Tax (VAT) on the economic and human development of emerging countries from 2001 to 2009, focusing specifically on Adamawa State, Nigeria¹⁴⁵. The research utilized both primary and secondary data sources. Hypotheses were tested using ANOVA, regression, and discriminant analysis. The findings revealed that VAT allocations to Adamawa State during the study period were highly significant, accounting for 91.2% of the variations in the state's expenditure patterns. Although data from primary sources indicates minimal VAT impacts, secondary data confirms a very large influence of VAT on the state's economic and human development between 2001 and 2009. Accordingly, the analysis comes to the conclusion that, in comparison to Adamawa State's overall income during the same time period, the state's VAT allocations during those times were highly important. There is no variation in how the various administrative regions of Adamawa State view the effects of VAT on human and economic development.

A study aimed to determine the relationship between taxpayers' income levels, tax authority inspections, and VAT compliance among private firms in Kenya¹⁴⁶. Both quantitative and qualitative methods were employed to analyze the data. While descriptive approaches are generally considered less valid but more reliable, a combination of techniques was applied. The findings indicated that there is no significant correlation between VAT compliance and the income level of taxpayers. Nonetheless, the survey found that mid-sized private companies with annual sales between five million and five hundred million shillings have a significant rate of VAT non-compliance. The study confirms a strong positive correlation between VAT compliance and tax authority inspections. The study's conclusion suggested that mid-sized

private companies should be closely watched and subject to strict compliance requirements. Additionally, tax authorities should promote efficient use of tax registers by conducting spontaneous but frequent inspections.

An empirical study examining the relationship between Value Added Tax (VAT) and Gross Domestic Product (GDP) in Nigeria revealed that VAT plays a crucial role in revenue generation planning and policy formulation¹⁴⁷. Data for the study, covering the period from 1994 to 2008, were sourced from the Central Bank of Nigeria's 2008 statistical bulletin, focusing on GDP and VAT income figures. The analysis explored the association between GDP and VAT during this period, revealing a strong Pearson's Product Moment Correlation (PPMC) of approximately 96 percent. Furthermore, a significance test confirmed that, at a 99 percent confidence level, VAT revenue differs markedly from GDP. The study recommended maintaining the current VAT structure as it benefits the economy and aligns with sound taxation principles. Another study assessed VAT's impact on revenue generation in Nigeria, along with citizens' perceptions of VAT and inflation, using a descriptive research approach¹⁴⁸. Consequently, primary data were collected through structured questionnaires and oral interviews, while secondary data were obtained from the Federal Inland Revenue Service's annual reports, Nigerian tax news, the Value Added Tax decree, and federal statistical publications. The study concluded that for a fiscal policy to be effective, VAT must be carefully structured, taking into account the country's stage of development. Furthermore, effective communication strategies should be implemented to ensure proper policy enforcement and to maximize revenue generation.

Time series data on GDP, VAT revenue, total tax revenue, and total federal government revenue for the period 1994 to 2008 were collected from the Central Bank of Nigeria (CBN) and analyzed using descriptive statistics and basic regression techniques to assess the relationship between

Value Added Tax and economic growth in Nigeria¹⁴⁹. The findings revealed that VAT revenue accounts for up to 95% of the significant variations in Nigeria's GDP, although the VAT-to-GDP ratio averaged 1.3%, compared to 4.5% in Indonesia. There exists a strong and positive correlation between GDP and VAT revenue. Despite VAT revenue being relatively stable during the period, both economic indicators experienced notable fluctuations. A two-year lag was observed between changes in GDP and VAT receipts, yet no causal relationship was established. The study recommends that to enhance VAT's contribution to national economic growth, all identified administrative loopholes should be closed, keeping in mind that any adjustments to GDP or VAT revenue will take approximately two years to manifest.

A scholar explored the concept of Value Added Tax (VAT) and the factors influencing its economic effects¹⁵⁰. The study primarily aimed to highlight key but often overlooked elements critical for evaluating any tax policy. Two main points were emphasized: (1) the consequences of replacing an existing tax with VAT on income distribution, economic growth, and the balance of payments are largely determined by prevailing price levels; (2) the effects of introducing VAT in place of another tax on prices also depend on monetary conditions, such as the velocity of money, the rate of money supply growth, and the price effects of other taxes or government expenditures. Contrary to common assumptions, the study noted that implementing a VAT does not necessarily lead to inflation or increased income inequality.

A scholar investigated the effect of Value Added Tax (VAT) on revenue generation in Nigeria, as well as public perception regarding VAT and inflation¹⁵¹. Primary data were collected through structured questionnaires and oral interviews, and analyzed using Pearson and Spearman rank correlation methods. The findings revealed that participants did not perceive VAT as having any significant impact on the inflation rate in Nigeria. Additionally, another study explored how

successive Nigerian governments have attempted to use taxation to influence macroeconomic variables, particularly inflation and unemployment¹⁵². The study utilized secondary data spanning the period from 1970 to 2008 and analyzed it using both descriptive and inferential statistical methods. Estimations were carried out with the Ordinary Least Squares (OLS) technique. The results revealed that taxes had a negative but statistically insignificant impact on the inflation rate, consistent with theoretical expectations. Similarly, the effect of tax policy on unemployment was also negative but insignificant. The study concluded that, over the period examined, tax policy was ineffective in controlling inflation and reducing unemployment in the country.

A scholar investigated the effect of Value Added Tax on overall price levels using partial equilibrium analysis¹⁵³. The study employed static multiple regression analysis on data from 1994 to 2010. The findings indicated that VAT significantly pushed prices upward, largely because of its impact on intermediate input costs.

A researcher employed graphs and statistical techniques to determine whether the introduction or modification of Value Added Tax (VAT) influenced inflation in the United Kingdom and Canada¹⁵⁴. The findings indicated that implementing VAT in the UK had no significant impact on the rate of change in the Consumer Price Index (CPI). In contrast, the introduction of the General Sales Tax (GST) in Canada led to a notable increase in the CPI. The study further revealed that substantial changes in tax rates affected inflation, whereas minor adjustments did not produce a significant effect. Additionally, another study explored the factors influencing VAT, interest rates, and inflation, as well as their impact on revenue generation in Nigeria¹⁵⁵. Secondary data were collected from the Central Bank of Nigeria (CBN) statistical bulletins covering the period between 1990 and 2012. This timeframe was chosen to capture trends in inflation and interest rates before, during, and after the implementation of VAT. The data were

analyzed using descriptive statistics and the Johansen co-integration test. The results showed that VAT, interest rate (INT), and inflation (INF) had mean values of 461,214, 19.06478, and 20.09913, respectively, with standard deviations of 1,460,060, 3.284060, and 18.93905. Their minimum and maximum values were 0.0000 and 7,101,500 for VAT; 13.54 and 29.80 for INT; and 5.4 and 72.80 for INF. The descriptive statistics provided a clear overview of the distribution and range of the variables. Correlation analysis indicated no significant relationship between VAT and INT ($r = -0.200$, $p > 0.05$), INF and VAT ($r = -0.139$, $p > 0.05$), or INT and INF ($r = -0.074$, $p > 0.05$). However, VAT showed a significant positive relationship with inflation in both the short and long term, while interest rates exerted a negative effect on inflation over the same periods. Additionally, VAT demonstrated a strong positive relationship with revenue generation in Nigeria. The study recommended that the government implement effective anti-inflationary policies to mitigate the inflationary impact of VAT, regulate interest rate increases to prevent price instability, and sustain the current improvements in revenue generation.

A researcher conducted a study examining the impact of tax revenue on economic growth in Nigeria over the period 1981–2017¹⁵⁶. The primary aim of the study was to empirically evaluate how tax revenue influences Nigeria's economic growth during this period. The study utilized time series data sourced from the Central Bank of Nigeria (CBN) statistical bulletins, annual reports from the Federal Inland Revenue Service (FIRS), and the National Bureau of Statistics (NBS) portal. To achieve the research objectives, the study applied Ordinary Least Squares (OLS) and Auto Regressive Distributed Lag (ARDL) techniques to estimate both the relationships among variables and the long-run effects of independent variables on the dependent variable. Results from the ARDL bound test indicated that the variables are cointegrated. The ARDL long-run estimation further revealed that petroleum profit, Value Added Tax (VAT), and government

domestic debt have a significant positive effect on GDP, whereas Company Income Tax and customs and excise duties are significant but exert a negative impact on economic growth.

A scholar conducted a study on tax revenue and economic growth in Nigeria, examining the relationship between the country's economic growth and various sources of tax income¹⁵⁷. The research employed a descriptive and historical design, using secondary data from the Central Bank of Nigeria (CBN) statistical bulletins and annual reports covering a 22-year period (1994–2015). Tax revenue was measured using Value Added Tax (VAT), Petroleum Profit Tax (PPT), Company Income Tax (CIT), and Customs and Excise Duties (CED) as independent variables, while GDP was used as a proxy for economic growth (EG). To determine the relationships between the variables, the study applied ARDL regression and conducted post-estimation tests, including the Jarque-Bera test, Breusch-Godfrey LM test, and Ramsey RESET test.

The findings revealed a significant positive relationship between economic growth and both VAT and CED ($p < 0.05$), whereas no significant relationship was observed between CIT and economic growth ($p > 0.05$). Similarly, PPT did not show a significant correlation with economic growth. The study concluded that taxation plays a crucial role in national development and remains an essential socio-political and economic tool for promoting economic growth.

A study investigated the effect of indirect tax revenue on economic growth in Nigeria¹⁵⁸. In this research, Value Added Tax (VAT) and Customs and Excise Duties (CED) were used as independent variables, while economic growth, represented by real Gross Domestic Product (GDP), served as the dependent variable. The study employed a convenient sampling method to analyze secondary data obtained from the Central Bank of Nigeria's statistical bulletin covering the period 1993–2013. Using a time series design, the data were evaluated through descriptive

statistics, correlation analysis, unit root tests, co-integration tests, and regression analysis via the Error Correction Model (ECM). The results indicated that VAT had a significant impact on real GDP. Additionally, another study conducted a time series analysis to examine the effect of tax revenue on Nigeria's economic development¹⁵⁹. The study investigated the relationship between tax revenue—measured by Value Added Tax (VAT), Company Income Tax (CIT), and Customs and Excise Duties (CED)—and Nigeria's economic development, represented by the Human Development Index (HDI), over the period 1995–2014. To achieve the research objectives, the study employed Multiple Regression Analysis to analyze the data. The findings revealed a positive relationship between the HDI and the federal government's revenue collected from CIT, VAT, and CED.

A study investigated the impact of tax revenue on the Nigerian economy¹⁶⁰. The research aimed to assess the relationship between the Nigerian economy and Petroleum Profit Tax (PPT), evaluate the effect of Company Income Tax (CIT) on the economy, and examine the contribution of non-oil revenue to economic growth. Data were sourced from the Central Bank of Nigeria's Statistical Bulletin and collected using the desk survey method. Multiple regression analysis using Ordinary Least Squares (OLS) was applied to determine the relationships between the dependent and independent variables. The findings revealed a strong positive relationship between Nigeria's economic growth and both Petroleum Profit Tax and non-oil revenue.

A study assessed tax attitude, knowledge, and perception as the predictors of tax compliance among technology workers in Lagos state, Nigeria¹⁶¹. In this survey, 163 information technology workers took part. Purposive sampling was used to recruit participants, meaning that only those who meet the study's eligibility requirements were included. The research sought to ascertain the correlation between tax compliance and attitude, relationship between tax compliance and

perception, and the relationship between tax knowledge and its compliance among the respondents. The questionnaire was drafted to contain elements such as tax compliance, attitude, knowledge and perception. The study revealed that perception positively influenced and predicted tax compliance. Based on this, appropriate intervention programmes which can positively modify tax compliance was suggested.

A study investigated the influence of tax payers' demographic variables of SMEs in Akwa-Ibom and River States, Nigeria¹⁶². This study was done due to the necessity to develop an all-encompassing strategy to improve and promote positive tax attitudes and eliminate issues such as tax evasion, among others. The study used a survey research approach, focused only on SMEs in the states of Rivers and Akwa-Ibom, and sought to determine the effects of demographic variables on tax payers' views. A sample size of 1150 SMEs operators was selected. The hypothesis was tested using ANOVA. The result indicates that the impact of age, gender, and marital status on the attitudes of Nigerian taxpayers are not significantly different. On the other hand, the impact of educational attainment on the views of taxpayers varies significantly throughout Nigeria.

A researcher studied on the influence of taxpayer education on self-assessment tax system in Lagos state, Nigeria¹⁶³. The level of tax compliance in Nigeria rose as a result. A survey of 38 instruments was used to gather data from primary sources, and a statistical programme for social sciences (SPSS, 26) was used to examine the results. The results indicate that taxpayer education has a large impact on the tax self-assessment system, which in turn leads to higher tax compliance. The *t*-value of taxpayer awareness is 2.622, and the consistent, substantial/prospect value (*t*-tabulated) is 2.325. *PV* is 2.622 and 2.325. An *t*-value of 2.328 and a matching substantial/prospect value (*t*-tabulated) of 2.325 were determined by the taxpayer education

enforcement. $PV = 2.328, 2.325$. Additionally, the taxpayer measurements showed a consistent, substantial/prospect value (t-tabulated) of 2.325 and an at-value of 4.606 ($PV = 4.606, 2.325$). Thus, it can be concluded that taxpayer knowledge, enforcement, and measurement have a significant impact on the self-assessment system practice in Lagos State and that the null hypothesis is rejected.

A study examined the impact of VAT on the economic development of Nigeria from 1994 to 2019¹⁶⁴. The unit root test verified that the consumer price index and inflation rate were stationary at level, whereas the human development index and Value Added Tax were stationary at first level difference. The study used the Auto Regressive Distributed Lag (ARDL) technique. The results of the bound test established that there exists a connection between the variables. Also, the ARDL result indicated that the consumer price index was non-significant at 5% when considered in the short run but positive when considered in the long run; the inflation rate was significant at both the short and long runs; and Value Added Tax was positive and significantly related to the human development at both the short and long runs. The study concluded that while consumer price index volatility worsens economic development in Nigeria, Value Added Tax and a little rise in general prices level boost it. While working on 'Understanding the VAT System in Nigeria.

A study provided an extensive overview of Nigeria's VAT system¹⁶⁵. He examined the administrative procedures, legislative framework, registration process, compliance requirements, historical background, and important factors that should be considered for companies doing business in Nigeria. A scholar also looked at the history or origin, appeal and current problems with VAT system around the world, as well as any caused consequences¹⁶⁶. Further studies have also suggested that, in spite of its several bottlenecks, VAT has gained a lot of recognition

globally and it is thus speculated that, in no time, VAT might replace retail Sales Taxes. In Nigeria, the most recent of the VAT amendment of VAT law resulted into a rise in its rate and this led to a serious debate among concerned groups.

A scholar conducted a research to examine the impact of e-commerce on import taxes in Kenya, using a quarterly time series data, from 2012 to 2016¹⁶⁷. The research used multiple regression model. The empirical result obtained revealed a negative relationship between e-commerce and import taxes in Kenya. The result further revealed that e-commerce have been shrinking the domestic consumption base. Similarly a scholar carried on a research to investigate the impact of e-commerce on the economic development of Togo, using time series data from 2009 to 2015. The study employed Ordinary Least Square Method and Co integration Models to achieve the stated objective. The result obtained revealed a significant negative relationship, both for short and long run between e-commerce and economic development in Togo. A study investigated the influence of cross-border e-commerce on international trade in European countries, using domestic trade data and cross-border data collected from Google AdWords. The study employed both econometric models and descriptive statistics. The empirical result obtained revealed that the growth of cross-border e-commerce reduced distance-related trade cost by approximately two-thirds.

A scholar conducted a study to investigate the impact of cross-border e-commerce on international trade in the context of China, mainly from the perspective of transaction cost economics in conjunction with the traditional comparative advantage model by analyzing information cost, negotiation cost, transportation cost, tariffs and middlemen cost separately¹⁶⁸. The study employed Generalized Model Method, other Econometrics Models and theoretical models. The theoretical result obtained suggested that cross-border e-commerce may have a

positive role in promoting international trade only when the negative impact caused by tariff cost and transportation cost is offset. While the empirical result shows that cross-border e-commerce has a positive effect on the growth of China's international trade in each year. However, the positive effect does not show incremental growth over time, possibly as a result of the weak implementation of favorable policies in trade, in addition to global trade shrinking.

In study on the effects of the Internet on tax competition and tax rates¹⁶⁹. The result shows that when consumers have the choice of buying online, buying from their home town and buying from a neighboring town, the Internet will put downward pressure on tax rates if the online transactions are tax free, and this downward pressure will be most pronounced in local jurisdictions setting high tax rates in the pre-internet era. If, on the other hand, online firms remit taxes in all jurisdictions, an increase in Internet usage will raise tax rates because the online firm remits taxes on a destination basis reducing tax avoidance. The first of these two extreme scenarios dominates in Agrawal's empirical research, with a one standard deviation increase in Internet penetration lowering local tax rates by approximately 10 percent of the average rate. However, increased Internet usage puts upward pressure on local tax rates in places that have a high number of online firms with nexus. The positive effects in some jurisdictions provide policymakers with evidence that the Internet can facilitate tax collection, which may become more important as more online firms have physical presence.

A researcher conducted a study to investigate the impacts of electronic taxation on tax avoidance and evasion in Nigeria¹⁷⁰. The sampled for the study was taken from Ekiti State of Nigeria focusing on some banks and the Board of internal revenue of the state. Well-structured questionnaires were administered in the target respondents and were analysed using standard deviation and hypotheses testing. The result led to the rejection of the hypotheses that electronic

taxation does not have significant impact on tax avoidance and evasion in Nigeria and consequently the alternative hypothesis was accepted and the study concluded that embracing electronic taxation in tax administration in Nigeria will significantly reduce the incidences of tax evasion and avoidance in Nigeria. In a study on the determination of the impact of e-commerce on some of important economic criteria including Total Factor Productivity (TFP) of Iran as a developing country in comparison with US standard as a developed country through analyzing and calculating interrelated issues¹⁷¹. The model is based on both econometrics and growth accounting approach to fill the gaps of previous studies. On the first step, this research fulfills the gap of economic growth by transforming the US and Iran e-commerce model to parametric model and providing statistical analysis. On the second step, the two parametric models are compared to each other. The results showed that the impact of e-commerce on Iran could be even stronger than that of US as a developed country because the scope for reducing inefficiencies and increasing productivity is much larger in Iran. The results also are showing that although during the last decade e-commerce has always been an attentive issue to Iranian governments and Iran made some policies to develop and enhance e-commerce in the country, but statistics are showing the necessity of more comprehensive and organized policies for developing and localizing e-commerce in the way of universal standards accomplishment.

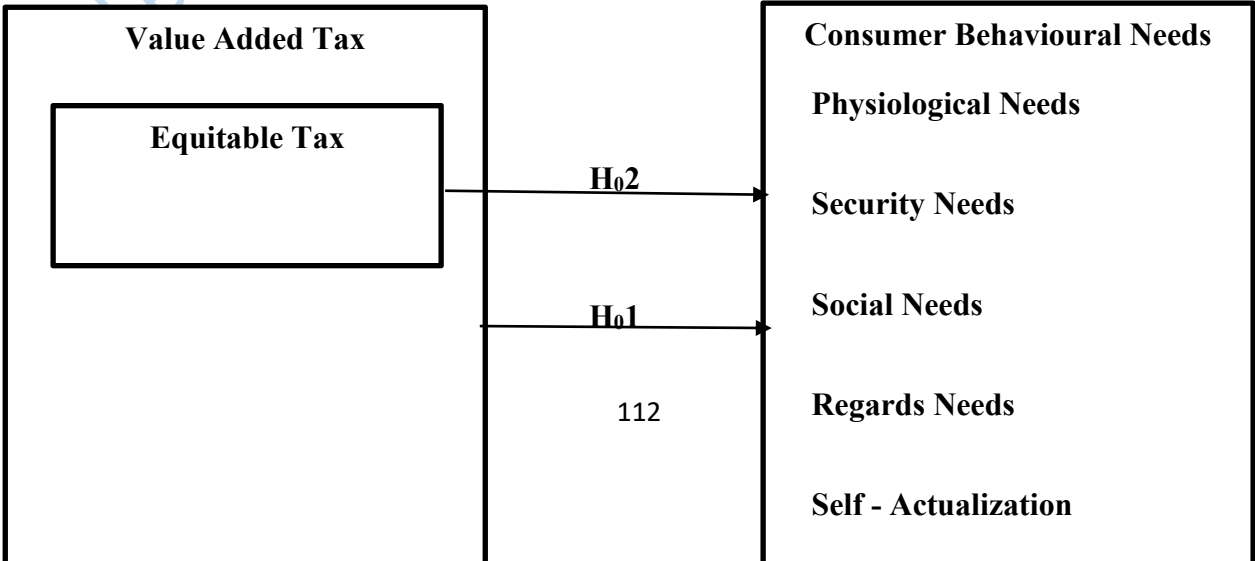
A scholar conducted a study to measure the effectiveness and challenges of Value Added Tax on international e-commerce in electronic goods and services in Kenya¹⁷². The study adopted a descriptive research design. The target population was 199 KRA VAT officers. The sample size was 50 officers. Primary data were used in this study. The data collection instrument used in this study was questionnaires. These questionnaires were used to collect data from the taxation authority officials dealing with VAT. The questionnaires were administered via email surveys

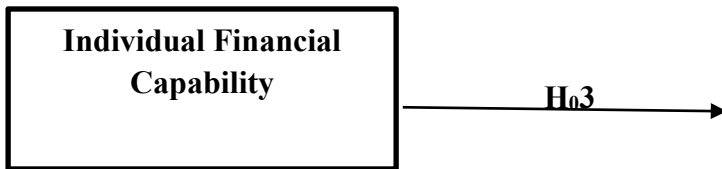
and personal visits to respondents that is the KRA VAT officers. The research findings revealed that the major challenges against an effective VAT system for international e-commerce in electronic goods and services in Kenya included the lack of attention to e-commerce as a unique industry in the VAT Act and the lack of unique policies to regulate the sector. From questions posed to the KRA VAT officers, it emerged that there was a lack of proper and adequate resources, and their usage, within the taxation authority to monitor the industry. A scholar conducted a study to examine the impact mechanism of e-commerce development to the national economic growth In China, using time series data from 1997 to 2011¹⁷³. The study employed multiple regression model and co-integration test to measure both the short and long run impact of e commerce on china's economic development. The empirical result revealed that e commerce have impacted positively on the economic growth, and the co-integration result predicted a long term positive relationship between the ecommerce and the economic growth.

2.4 Conceptual Model

Independent Variables

Dependent Variable





Source: Researcher's Conceptual Framework, 2025

The above conceptual framework shows that the dependent variable is consumer behaviour (physiological needs, security needs, social needs, regards needs and self actualization) while the independent variable is Value Added Tax (equitable taxation and individual financial capability). In the first hypothesis, revealed how the combined measures of Value Added Tax will be tested on consumer behaviour of South West Nigerians, the second hypothesis, Relationship between Equitable Taxation and consumer behaviour South West Nigerian will be tested while the last hypothesis (H₀₃ will measure the influence of financial capability on consumer behaviour in South West Nigeria. The results were recorded and recommendations was given in relation to the results.

2.5 Summary of Literature Reviewed

Finally, from the empirical literature reviewed, most studies concluded that Value Added Tax (VAT) has a positive and significant impact on consumer behaviour while some concluded that VAT have a negative and significant impact on consumer behaviour. Thus, this work tends to investigate further VAT on consumer behavioural needs in Southwest, Nigeria. This research also adopted a theoretical framework in it research methodology which most other study do not.

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Endnotes

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Chapter Three

Methodology

3.1 Research Design

The study employed an ex-post facto research design to gather information on the impact of consumer behavior in Nigeria. This type of research design involves examining events that have already occurred, with the researcher making no attempt to manipulate or influence the variables under investigation.

3.2 Population of the Study

The study population consists of seven (7) companies that provide consumer goods and services and are listed on the Nigerian Stock Exchange. These companies include ABC Transport, BUA Foods, BUA Cement, Cadbury Nigeria, Berger Paints, Dangote Sugar Refinery, and Flour Mills of Nigeria.

3.3 Sample and Sampling Technique

In arriving at the sample size, the researcher adopted total enumeration to have a representation of the population which implies total population due to relatively small population of the study.

3.4 Description of Research Instrument

The data was collected from the VAT implementation report of the seven (7) companies in Nigeria Stock Exchange in the last 5 years. Information about Physiological needs, security needs, social needs, equitable taxation and individual financial capability was collected from the records made available by the selected companies at the NSE.

3.5. Estimation Technique

Using the one independent variables of Value Added Tax to test the dependent variable which is Consumer Behavioural Needs, ARDL models used are estimated as;

3.5.1. Autoregressive Distributed Lag (ARDL) Method

The ARDL approach provides reliable estimates of long-run coefficients that are asymptotically normal, irrespective of whether the underlying variables are I(1) or I(0)^{1,2}. It is also effective with small sample sizes. Additionally, the method relies on a single ARDL equation rather than a VAR model, which reduces the number of parameters to be estimated. Importantly, it allows for the estimation of both long-term and short-term parameters^{3,4}.

With certain adjustments^{5,6,7,8}, the ARDL model can be specified as follows:

$$\begin{aligned} \Delta \ln CB_t = & \beta_0 + \sum_{i=1}^n \beta_1 \Delta \ln PN_{t-1} + \sum_{i=1}^n \beta_2 \Delta \ln SN_{t-1} + \sum_{i=1}^n \beta_3 \Delta \ln SON_{t-1} \\ & + \sum_{i=1}^n \beta_4 \Delta ET_{t-1} + \sum_{i=1}^n \beta_5 \Delta \ln IFC_{t-1} + \alpha_1 \ln PN_t + \alpha_2 \ln SN_t + \alpha_3 SON_t \\ & + \alpha_4 ET_t + \alpha_5 SIFC_t + \mu_t \dots 3.1 \end{aligned}$$

Where β_1 to β_5 are the short run coefficients and α_1 to α_5 are the long run coefficients of the variables.

3.5.2. Toda-Yammamoto Causality Test

In this study, the Toda and Yamamoto causality test was employed to determine the presence and direction of causality between the variables. This test is particularly useful because it can assess the co-integration properties of the model and the integration order of the variables. However, it

requires that the variables be integrated at an order less than two. The first step in the procedure involves estimating an augmented VAR model. The second step entails estimating the VAR in levels and selecting the optimal lag length. The test then evaluates the alternative hypothesis of causality against the null hypothesis of no causality. Rejection of the null hypothesis allows for conclusions regarding the causal relationships among the variables. The model is specified as follows:

$$\begin{aligned}
 & [lnPN_t \quad SN_t \quad SON_t \quad ET_t \quad lnIFC_t] \\
 & = [\alpha_1 \quad \alpha_2 \quad \alpha_3 \quad \alpha_4 \quad \alpha_5] \\
 & + \sum_{i=1}^k [\beta_{11}, \beta_{12}, \beta_{13}, \beta_{14}, \beta_{15}, \beta_{21}, \beta_{22}, \beta_{23}, \beta_{24}, \beta_{25}, \beta_{31}, \beta_{32}, \beta_{33}, \beta_{34}, \beta_{35}, \beta_{41}, \beta_{42}, \beta_{43}, \beta_{44}, \beta_{45}, \beta_{51}, \beta_{52}, \beta_{53}, \beta_{54}, \beta_{55}] \\
 & [lnPN_{t-i} \quad lnSN_{t-i} \quad SON_{t-i} \quad ET_{t-i} \quad lnIFC_{t-i}] \\
 & + \sum_{i=k+1}^{k+dmax} [\gamma_{11}, \gamma_{12}, \gamma_{13}, \gamma_{14}, \gamma_{15}, \gamma_{21}, \gamma_{22}, \gamma_{23}, \gamma_{24}, \gamma_{25}, \gamma_{31}, \gamma_{32}, \gamma_{33}, \gamma_{34}, \gamma_{35}, \gamma_{41}, \gamma_{42}, \gamma_{43}, \gamma_{44}, \gamma_{45}, \gamma_{51}, \gamma_{52}, \gamma_{53}, \gamma_{54}, \gamma_{55}] \\
 & [lnPN_{t-i} \quad lnSN_{t-i} \quad SON_{t-i} \quad ET_{t-i} \quad lnIFC_{t-i}] + [\varepsilon_1 \quad \varepsilon_2 \quad \varepsilon_3 \quad \varepsilon_4 \quad \varepsilon_5] \text{ ----- (3.2)}
 \end{aligned}$$

3.6 Method of Data Analysis

For the data analysis, the study utilized inferential statistics, descriptive analysis, correlation analysis, and co-integration analysis of the time series data. These statistical methods allow conclusions and predictions about the population based on a sample. Least Squares was used as the inferential statistical method to test the hypotheses.

3.6.1 Model Specification

The mathematical formula employed is:

$$Y = F(x)$$

Where; y is dependent variable (Consumer Behaviour)

x is independent variable (Value Added Tax)

Panel data analysis was used to further extend to econometrics model;

$$Y_{it} = \beta_0 + \beta_1 x_{it} + e_{it}$$

Model 1: $PN_{it} = \beta_0 + \beta_1 ET_{it} + \beta_2 IFC_{it} + e_{it}$

Model 2: $SN_{it} = \beta_0 + \beta_1 ET_{it} + \beta_2 IFC_{it} + e_{it}$

Model 3: $SON_{it} = \beta_0 + \beta_1 ET_{it} + \beta_2 IFC_{it} + e_{it}$

Where:

CB = Consumer Behaviour

VAT = Value Added Tax

PN = Physiological Needs

SN = Security Needs

SON = Social Needs

ET = Equitable Taxation

IFC = Individual Financial Capability

e = Error Term

β_0 = Constant

β_1, β_2 Coefficient of Value Added Tax

3.7 Method of Data Collection

The study utilized a secondary data collection approach, primarily sourcing data from the annual reports and accounts of selected companies that supply goods and services to Nigerian consumers. Additional information was gathered from books, journals, newspapers, seminar papers, previous research studies, and online sources.

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Endnotes

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Chapter Four

Results and Discussion

This chapter presents the study's findings. The analysis begins with descriptive statistics, correlation analysis, unit root/stationarity tests, and co-integration analysis of the time series data to ensure they meet the necessary conditions for proper evaluation. These procedures help minimize estimation errors and provide unbiased estimates in the model analyses by allowing the researcher to apply specific, predetermined operations to the variables as needed.

4.1. Preliminary Tests

To ensure the reliability of the results, a series of preliminary tests were conducted.

4.1.1. Descriptive Statistics

This section highlights the key characteristics of the data. The results of the descriptive statistics are presented in Table 4.1.

Table 4.1: Descriptive Statistics

	ET	IFC	PN	SN	SON
Mean	0.368	-2.64E+09	18.884	108.013	111.011
Median	0.311	-1.84E+09	17.872	119.768	105.413
Maximum	0.645	-1.93E+08	31.650	306.921	201.56
Minimum	0.226	-8.02E+09	9.959	2.020	2.350
Std Deviation	0.127	223E+09	3.885	91.708	93.008
Skewness	0.790	-1.041	0.965	0.669	0.641
Kurtosis	2.341	2.927	5.298	2.743	3.142
Jarque-Bera	4.645	6.153	12.764	2.630	2.945
Probability	0.098	0.046	0.002	0.268	0.217
Sum	13.988	-8.36E+10	624.056	3672.427	3873.313

Source: Author's Computation (2025)

As shown in the table above, the probability values of the Jarque-Bera statistics suggest that the null hypothesis cannot be rejected for any of the variables, indicating that the residuals follow a normal distribution.

4.1.2. Correlation Matrix

Table 4.2: Correlation matrix for model I

	ET	IFC	PN	SN	SON
ET	1	-----	-----	-----	-----
IFC	-0.577	1	-----	-----	-----
PN	-0.419	0.284	1	-----	-----
SN	-0.152	0.263	0.427	1	-----
SON	0.649	-0.539	-0.411	-0.073	1

Source: Author's Computation (2025).

Table 4.3: Bounds Test Result for Model I(RTP):

F-Statistic	5.991**		
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Critical Values	1%	5%	10%
Lower Bound	3.29	2.56	2.20
Upper Bound	4.37	3.49	3.09

Source: Author's Computation (2025)

Note: ** At the 5% significance level, the results are significant, leading to the rejection of the null hypothesis of no co-integration.

Table 4.3 shows that the estimated F-statistic (5.991) exceeds the upper critical bound in the Bounds test for co-integration for the first model. This rejection of the null hypothesis indicates that the variables are co-integrated, confirming the existence of a long-term relationship among them.

Table 4.4: Bounds Test Result for Model II(PTP):

F-Statistic	5.602**		
<hr/>			
Critical Values	1%	5%	10%
Lower Bound	3.74	2.86	2.45
Upper Bound	5.06	4.01	3.52

Source: Author's Computation (2025)

Note: ** At the 5% significance level, the results are significant, leading to the rejection of the null hypothesis of no co-integration.

Table 4.4 presents the Bounds test results for co-integration in the second model, showing that the estimated F-statistic (5.602) exceeds the upper critical bound from Narayan's (2005) ARDL small-sample table. The rejection of the null hypothesis indicates that the variables are co-integrated, confirming a long-term relationship among them.

4.2 Presentation of Test of Hypotheses

H01: There is no significant impact of Value Added Tax on consumer behavior in Southwest Nigeria.

To test this hypothesis, multiple regression analysis was conducted. The VAT values of companies in Southwest Nigeria were regressed against each consumer behavior indicator.

Consumer behavior scores were generated by summing responses to all items measuring the variable, while VAT scores were calculated by aggregating responses related to equitable taxation and individual financial capacity. The results of the multiple regression analysis are presented in Table 4.4.

Table 4.4: Model Summary of the impact of Value Added Tax on consumer behaviour in Southwest, Nigeria

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.405 ^a	.164	.138	.31861

a. Predictors: (Constant), equitable taxation, individual financial capability

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.134	5	.627	6.174	.000 ^b
	Residual	15.937	157	.102		
	Total	19.071	162			

a. Dependent Variable: Consumer Behaviour

b. Predictors: (Constant), equitable taxation, individual financial capability

Coefficients

Model		Unstandardized		Standardize	t	Sig.
		Coefficients		d		
		B	Std. Error	Beta		
1	(Constant)	2.129	.298		7.153	.000
	Equitable taxation	.027	.063	.036	.435	.664
	Individual financial capability	.237	.086	0.251	2.762	.006

a. Dependent Variable: Consumer Behaviour

Source: Annual Report, 2025

Table 4.4 presents the results of the multiple regression analysis examining the impact of Value Added Tax (VAT) on consumer behavior in Southwest Nigeria. The model summary in Table 4.4 shows how well the regression equation fits the data, with the adjusted R^2 used to assess the model's predictive power. The findings indicate a positive relationship between consumer behavior and VAT (covering equitable taxation and individual financial capacity) with $R=0.405$ $R = 0.405$ and $p=0.000$ $p = 0.000$ $p=0.000$. The adjusted R^2 value of 0.138 suggests that VAT explains 13.8% of the variation in consumer behavior in Southwest Nigeria, while other factors account for the remaining 86.2%. This implies that VAT has a notable effect on consumer behavior in the region.

The ANOVA results confirm the overall significance of the regression model, with an F-value of 6.174 and a p-value of 0.000, both significant at the 95% confidence level. This demonstrates that VAT significantly influences consumer behavior in Southwest Nigeria.

Regression coefficient analysis further shows that all components of VAT have a significant impact. At the 95% confidence level, p-values were below 0.05 and t-values exceeded 1.96, indicating statistical significance. The constant term in the model is 2.129, representing consumer behavior when all other variables are held at zero. A one-unit increase in receivable turnover period is associated with a 0.237 increase in consumer behavior, while a one-unit rise in equitable taxation results in a 0.224 increase, holding other variables constant.

Among the VAT components, equitable taxation had the greatest impact on consumer behavior, with a coefficient of 0.237 and t-value of 2.762, while the least significant factor had a coefficient of -0.157 and t-value of -2.474. Overall, the findings confirm that VAT significantly affects consumer behavior in Southwest Nigeria. Based on the model's strength ($Adj R^2 = 0.138$, $F(5,157) = 6.174$, $p = 0.000$), the study rejects the first null hypothesis (H_{01}), which stated that VAT would not significantly influence consumer behavior in Southwest Nigeria.

H₀₂: There is no significant relationship between equitable taxation and consumer behaviour in Southwest, Nigeria

Multiple regression analysis was used to test the hypothesis. Equitable taxation values were regressed against consumer behavior values in Southwest Nigeria. Consumer behavior data were generated by summing responses to all items measuring the variable, while equitable taxation data were compiled by summing responses to all items related to equitable taxation. The data for

the target case study were collected and analyzed. The results of the multiple regression analysis are presented in Table 4.5.

Table 4.5: Summary of Multiple Regression Analysis for the relationship between equitable taxation and consumer behaviour in Southwest, Nigeria.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.342 ^a	.117	.100	.32546

a. Predictors: (Constant), equitable taxation

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.229	3	.743	7.015	.000 ^b
	Residual	16.842	159	.106		
	Total	19.071	162			

a. Dependent Variable: Consumer Behaviour

b. Predictors: (Constant), equitable taxation

Coefficients

Model		Unstandardized		Standardized	t	Sig.
		Coefficients		Coefficients		
		B	Std. Error	Beta		
1	(Constant)	2.415	.239		10.086	.000
	Equitable Taxation	.043	.070	.054	.613	.541

a. Dependent Variable: Consumer Behaviour

Source: Annual Report, 2025

Table 4.5 presents the results of the multiple regression analysis examining the effect of equitable taxation on consumer behavior in Southwest Nigeria. The model summary in the table shows how well the regression equation fits the data, with the adjusted R² used to assess the model's predictive ability. The results indicate a weak positive relationship between consumer behavior and equitable taxation (R = 0.342, p = 0.000). The adjusted R² value of 0.100 suggests that equitable taxation explains 10% of the variation in consumer behavior, while other factors account for the remaining 90%. This implies that equitable taxation has a modest influence on consumer behavior in the region.

The ANOVA results further show that equitable taxation significantly affects consumer behavior, with an F-value of 7.015 and a p-value of 0.000, both significant at the 95% confidence level. These findings indicate that consumer behavior in Southwest Nigeria is influenced by the equitable taxes imposed.

Based on the strength of the results ($\text{Adj. } R^2 = 0.100$, $F(3,159) = 7.015$, $p = 0.000$), the study rejects the second null hypothesis (H_02), which stated that equitable taxation would have little or no effect on consumer behavior in Southwest Nigeria.

H₀₃: There will be no significant influence of individual financial capability on Consumer Behaviour in Southwest, Nigeria.

Multiple regression analysis was used to test the hypothesis. The study regressed Individual Financial Capacity values against Consumer Behavior values in Southwest Nigeria. Consumer Behavior data were generated by summing responses to all items measuring the variable, while Individual Financial Capacity data were compiled by summing responses to all relevant measurement items. The results of the multiple regression analysis are presented in Table 4.6.

Table 4.6: Summary of Multiple Regression Analysis for the influence of individual financial capability on Consumer Behaviour in Southwest, Nigeria.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.342 ^a	.117	.106	.32437

a. Predictors: (Constant), Individual Financial Capability

ANOVA

		Sum of				
Model		Squares	df	Mean Square	F	Sig.
1	Regression	2.237	2	1.118	10.629	.000 ^b
	Residual	16.834	160	.105		
	Total	19.071	162			

a. Dependent Variable: Consumer Behaviour

a. Predictors: (Constant), Individual Financial Capability

		Coefficients		Standardize		
		Unstandardized		d		
		Coefficients		Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.050	.305		6.712	.000
	Individual Financial Capability	.153	.101	.133	1.967	.133

a. Dependent Variable: Consumer Behaviour

Source: Annual Report, 2025

Table 4.6 presents the results of the multiple regression analysis examining the influence of individual financial capability on consumer behavior in Southwest Nigeria. The table outlines the model's fit to the data, the ANOVA results, and the beta coefficients for each independent

variable in the model summary. The model's predictive power was assessed using the adjusted R^2 . The results indicate a weak positive relationship between consumer behavior and individual financial capability ($R = 0.342$, $p = 0.000$). The adjusted R^2 of 0.106 suggests that individual financial capability accounts for 10.6% of the variation in consumer behavior, while other factors explain the remaining 89.4%. This indicates that approximately 11% of consumer behavior in Southwest Nigeria is influenced by an individual's financial capability.

The ANOVA results further show that individual financial capability has a significant effect on consumer behavior, with an F-value of 10.629 and a p-value of 0.000, both significant at the 95% confidence level. Regression coefficient analysis confirms that individual financial capability ($\beta = 0.153$, $p = 0.031$) is statistically significant, with a t-value above 1.96 and a p-value below 0.05. The constant term indicates that consumer behavior is 2.050 when all other variables are held at zero, and a one-unit increase in individual financial capability leads to a 0.241 increase in consumer behavior, holding other factors constant.

These findings demonstrate that individual financial capability has a notable influence on consumer behavior in Southwest Nigeria. Given the strength of the results (Adj. $R^2 = 0.106$, $F(2,160) = 10.629$, $p = 0.000$), the study rejects the third null hypothesis (H_03), which stated that individual financial capability would not significantly affect consumer behavior. Overall, the model provides a summary of the inferential statistics used to test the three hypotheses, all of which were statistically significant. This indicates that VAT significantly impacts consumer behavior in Southwest Nigeria, and that both equitable taxation and individual financial capability independently influence consumer behavior in the region.

4.3 Discussion of Findings

The results from testing the three hypotheses indicated that Value Added Tax (through Equitable Taxation and Individual Financial Capability) has both a joint and independent significant effect on Consumer Behavior in Southwest Nigeria. These findings are consistent with previous empirical research. For instance, a study examining Nigerians' perception and attitude toward the VAT system surveyed 1,476 taxpayers divided into three groups: professionals, general businesspeople, and others¹. The study revealed that most respondents had limited knowledge of VAT laws in Nigeria, and there was no significant difference in VAT knowledge among the three groups. Additionally, 78% of participants could not distinguish between VAT and the sales tax they paid, and businesspeople showed particularly low awareness of which goods and services fall under VAT law. Overall, the study concluded that while most Nigerians are aware of the existence of VAT, they generally do not understand it². A scholar conducted research that aims to study the consumer's perception of VAT in India². The study surveyed 600 respondents across three zones in Uttar Pradesh. The findings revealed that most consumers, regardless of educational level, pay taxes but have limited awareness of VAT. The researchers recommended that the government reform the tax structure and reduce tax rates. They also emphasized the importance of raising consumer awareness about VAT through tax education initiatives. Additionally, another study was conducted to examine the challenges VAT poses for tax administration in Ethiopia³. The study examined the impact of VAT on the general population in the town, considering government revenue, citizens' spending capacity, and the effect of tax administration on governance. Surveying 80 taxpayers revealed a limited understanding of VAT implementation among the respondents.

A study was conducted on Value Added Tax and household consumption expenditure in Nigeria. Using an ex-post facto research design, the study examined the effect of VAT on the consumer price index (CPI) and household spending patterns⁴. Multiple regression models were applied to

analyze CPI and household expenditures on both durable and non-durable goods. The results showed that VAT, along with one-period lagged consumption expenditure, had a strong effect on household spending on durable goods. Additionally, VAT had a positive and significant impact on household expenditures for consumer goods, indicating that neither VAT nor past expenditure levels discouraged household spending. However, VAT did not significantly affect consumer price indicators. Based on these findings, the study recommended maintaining the current 5% VAT rate, as any increase could negatively affect households and push the consumer price index to an unsustainable level.

A study on the impact of VAT in the US, when considered as a replacement for payroll or corporate taxes, suggests that VAT can be regressive, placing a proportionally higher tax burden on lower-income taxpayers compared to higher-income earners⁵. Similarly, research examining the potential effects of increasing the VAT rate from 10% to 12% in Botswana found that prices of goods and services rose, disproportionately affecting poor households due to their higher marginal propensity to consume⁶. In contrast, the effect on middle- and upper-income groups was minimal, as these households have greater flexibility to adjust their consumption in response to the VAT increase.

A study examined “The Economics of a Reduction in VAT in the United Kingdom (UK)” and investigated how a lower VAT rate influenced European retail prices using quarterly data⁷. The study provided limited evidence suggesting that reduced VAT rates in European countries affected consumer spending patterns. Another researcher explored the impact of tax structure on exports, developing a theoretical model and then estimating a panel model using data from 27 OECD countries spanning the period 1967–2003⁸. The study assessed the relationship between net exports and both corporate taxes and VAT, directly addressing the issue of tax composition.

Overall, the findings suggested that while corporate taxes influence net exports, VAT is essentially trade-neutral. Another researcher investigated whether the introduction of VAT led to changes in consumer spending behavior in the UK and Canada⁹. The graphical analysis incorporated both retail volume and the year-on-year percentage change. The study showed how consumers adjusted their behavior to take advantage of VAT fluctuations through arbitrage.

A study explored the “consumption function under the relative income hypothesis” among households in Northern Pakistan¹⁰. A domestic investigation conducted in two selected communities during the summer of 2012 found that partially replacing income tax with VAT—without zero-rating or exemptions—produced a regressive effect, negatively affecting lower-income groups while benefiting higher-income groups. Another researcher analyzing quarterly data from 1987 to 2007 found limited evidence of changes in consumer behavior when VAT rates were reduced in European countries. Additionally, the market value of Greggs, a UK bakery selling hot sausage rolls and other baked goods, dropped by £20 million (\$32 million) when the government announced that hot retail items would be subject to VAT.

A study examined the short-term effects of VAT on consumption patterns in Greece¹¹. The research aimed to evaluate VAT’s potential impact on commodity prices, the consumer price index (CPI), market shares, and the allocation of total consumption expenditures across different commodity groups. Using time series data for thirteen commodity groups from 1958 to 1986 and estimating the Static Almost Ideal Demand System (AIDS) model via the Full Information Maximum Likelihood (FIML) method, the main empirical findings were: (1) VAT influenced commodity prices at varying rates, both positively and negatively, leading to a 4.7% higher CPI than would have occurred without VAT; and (2) VAT altered the distribution of total consumption expenditures across the studied goods and services, driven by significant

differences between actual and predicted budget shares and shifts in both compensated and uncompensated demand. Similarly, a study on the Fijian economy found that a 25% VAT increase reduced real consumption, investment, and national welfare, while raising government revenue by about 4% (assuming full collection) and increasing real GDP by approximately 0.6%.

A study investigated “the causes and consequences of the spread of Value Added Tax (VAT) in an effort to develop a model for VAT adoption¹².” The research found that VAT has a significant, though sometimes conflicting, effect on economic growth. Using a panel study approach, the analysis covered 25 years of data across 143 countries. The results indicated that VAT influences revenue generation in multiple ways and that the benefits of VAT vary across nations. Another study examined the effect of VAT on investment growth in Nigeria, aiming to assess how VAT impacts investment expansion¹³. The study employed multiple regression analysis and found that Value Added Tax has a significant effect on investment growth in the country. The analysis used time series data on variables such as investment, government expenditure, real exchange rates, real interest rates, and trade openness. Based on the findings, the study recommended that the government maintain transparency to enhance the efficiency of VAT collection. Additionally, another study explored the impact of Value Added Tax on economic growth¹⁴. Using annual data from 1994 to 2012, the study applied the Engle and Granger cointegration method for analysis. The econometric results indicated that VAT has a significant and positive effect on economic growth. However, the findings also revealed that there is no short-term or long-term relationship between VAT and GDP in Nigeria.

A study examined the effect of Value Added Tax on economic growth in the Kenyan economy¹⁵. The research used a causal study design covering the period from 1973 to 2010. VAT rates were treated as the dependent variable, while GDP, consumer prices (measured by the consumer price

index), and employment (measured by the unemployment rate) served as explanatory variables. The analysis employed Poisson, negative binomial, and time-varying regression models. The findings revealed a significant negative relationship between VAT rates and GDP, prompting a recommendation that the Kenyan government take measures to maintain a positive link between VAT rates and economic growth. Additionally, empirical evidence from Nigeria indicates that VAT revenue was a key determinant of economic growth between 1994 and 2010. The paper used time series data analyzed using Cobb-Douglas regression model. According to their research, the country's Value Added Tax management is deficient, as evidenced by the statistically modest but favorable effects of VAT collection on economic growth¹⁶. An investigation into the impact of effective Value Added Tax on economic development, using the Student's T-test and the Pearson product-moment correlation coefficient to test the hypotheses, found that VAT significantly contributes to GDP, highlighting its role as a key driver of wealth creation and economic growth in Nigeria¹⁷.

A study investigating the relationship between indirect taxes and economic growth using the Engle-Granger two-step method found a negative but negligible relationship between the two. Given that the overall indirect tax ratio appeared as a negative coefficient, the study applied the Autoregressive Distributed Lag (ARDL) approach to account for short- and long-term disturbances. This research is likely among the first to provide such findings for the Nigerian economy. In another study, multiple regression analysis was used to assess the impact of VAT on investment growth. Based on time series data, the results indicated that VAT positively influences investment growth. Consequently, VAT should have a consistent effect on consumer prices, regardless of the VAT rate or the stages of its collection.

A study treating VAT as an added cost for VAT-registered businesses found that, in developing economies, there is a high risk to VAT sustainability¹⁸. Using a computable general equilibrium approach to examine the aggregated effects of VAT on key sectors of the Nigerian economy, the research showed that a 5% VAT rate leads to a 12% rise in the general price index. The study also revealed that VAT's economic impact depends on how registered businesses perceive it. Additionally, another researcher explored the effect of VAT on price stability using partial equilibrium analysis¹⁹. In their study, the researchers highlighted that while VAT is an important revenue source, it is not without inflationary consequences. Overall, they concluded that VAT-induced price increases can contribute to economic instability in Nigeria. They favored the partial equilibrium approach because it provides reliable forecasts for both short- and long-term analysis, regardless of sample size. Empirical findings from their study, based on multiple regression analysis, confirmed that VAT significantly affected the price level in Nigeria between 1994 and 2010.

A study examined the impact of tax reforms on Nigeria's economic growth between 2007 and 2017²⁰. In this research, GDP served as the dependent variable, while Petroleum Profit Tax, Company Income Tax, Value Added Tax, Education Tax, Personal Income Tax, and Customs and Excise Duties were the independent variables. The Augmented Dickey-Fuller (ADF) test was used to check for unit roots, and regression analysis was performed using Johansen's co-integration test and the error correction model. The results revealed a positive relationship between tax collection and Nigeria's economic growth, indicating a long-term equilibrium relationship between GDP and the independent variables. Changes in tax revenue accounted for 54% of the variation in GDP. The ADF test confirmed that all series were stationary at first difference (I(1)) and significant at the 1–5% level, except for Company Income Tax and Customs

and Excise Duties, which were significant at 5%. The study applied descriptive statistics and econometric analysis to evaluate the impact of tax revenue on Nigeria's economic growth²¹. Various findings indicate that tax revenue has a positive and significant impact on economic growth. Moreover, tax revenue strengthens the government's capacity to fund social programs, which in turn boosts actual output. This perspective represents one of the most comprehensive analyses to date on the effect of tax revenue on Nigeria's economic development. Because the same VAT rate applies regardless of the value added, the system does not penalize efficiency. For example, capital formation under VAT is more accessible than under sales tax. To reduce VAT collection costs in some countries, self-assessment by businesses and sellers has been implemented, allowing them to remit taxes monthly or quarterly based on their sales and purchase records. VAT is difficult to evade if tax collectors are competent and transparent. Finally, VAT can harmonize consumer taxes within a customs union of multiple countries, such as the EEC or ECOWAS, by utilizing sales and purchase data.

A researcher noted that the benefits of VAT outweigh the costs associated with its administration²². Unlike inflationary financing or taxes on primary commodities and crude oil, which are subject to volatile global prices, VAT has a higher revenue-generating potential, enabling greater reliance on internally generated and more stable sources of income. VAT is often regarded as an effective tool for promoting fairness and neutrality in the tax system, while also supporting industrialization and production. For most countries that implement it, VAT has become a crucial component of total revenue and a robust source of income closely linked to increasing consumption. However, VAT also has challenges: its administration can be expensive, it is regressive, and it requires well-developed internal revenue services. Despite these costs, the

high revenue yield of VAT means that administrative expenses are manageable as a proportion of the total revenue collected.

A scholar conducted an empirical study on the macroeconomic effects in the Nigerian Federation using a computable general equilibrium approach²³. The study reported that VAT already contributes a significant portion of Nigeria's revenue, with real VAT income reaching billions in 1994, the year of its introduction. To simulate the Nigerian context, three scenarios based on actual VAT income were examined in 1995. The analysis indicated that the declining treatment of VAT within a dynamic economic framework had the most negative impact on the scenario most similar to Nigeria, particularly when the government implemented an active fiscal policy that reinjected revenue alongside non-cascading VAT management. Additionally, another researcher positively investigated the effects of VAT on economic growth (GDP) and total tax revenue in Nigeria²⁴. The study aimed to evaluate the contribution of VAT to total revenue and GDP in Nigeria since its introduction in 1994. Two hypotheses were formulated: H01 stated that VAT has no significant effect on GDP, while H02 posited that VAT does not significantly influence total tax revenue. Using SPSS, time-series data on VAT, GDP, and total revenue from 1994 to 2010 were analyzed through simple linear regression. The results showed that VAT has a significant impact on both GDP and total tax revenue, leading to the rejection of both null hypotheses.

A study examined the effect of Nigeria's Value Added Tax on the country's revenue generation. The analysis used data on Total Federal Collected Revenue (TFCR), Value Added Tax (VAT), Petroleum Profit Tax, Company Income Tax, and Education Tax²⁵. Stepwise regression analysis was employed to assess the relationships. The results revealed that each independent variable—VAT, Petroleum Profit Tax, Company Income Tax, and Education Tax—had a significant

positive relationship with total federal revenue, meeting the entry probability criterion of $P \leq 0.05$. Collectively, the four variables showed a strong positive correlation (0.971) with TFCR, indicating that overall federal revenue in Nigeria is highly influenced by these factors. Among them, VAT had the strongest association with total federal revenue, followed by Petroleum Profit Tax.

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Chapter Five

Conclusion

This chapter presents and discusses the summary of findings, conclusions and provides useful recommendations, contributions to knowledge and suggestions for further studies.

5.1 Summary of Findings

This study investigated Value Added Tax implementation and consumer behavioural needs in Southwest Nigeria. The findings revealed that the impact of Value Added Tax on consumer behaviour in this region is considerably positive. Additionally, a moderately high relationship exists between equitable tax implementation and consumer behaviour in Southwest Nigeria. Also, individual financial capability exerts a moderately high level of influence on consumer behaviour in the same region

5.2 Conclusion

Base on the findings, the study has concluded that Value Added Tax implemented among consumers in Southwest, Nigeria positively affect the consumer behaviour. The essence of consumer behaviour is significant when it comes to defining the implementation of Value Added Tax and the economy growth of a country as a whole.

5.3 Recommendations

Based on the findings in this study, the following recommendations were made.

Management of consumer goods companies in Southwest Nigeria should invest more in orienting their consumers and potential consumers on the advantages of accepting and using their products, thereby improving consumer behaviour towards those goods. This can be enhanced through

strategies such as integrating consumer education into school curricula at secondary and tertiary levels, conducting workshops and seminars to demonstrate resource management links like budgeting and comparative shopping, and leveraging media campaigns alongside teacher training for sustained awareness

Managements of these companies also need to enhance regulations of their Value Added Tax to ensure effective reflection on consumer goods prices. Improvements can involve collaborating with government agencies for transparent VAT policy enforcement, adopting digital tracking systems for compliance, and participating in national financial literacy frameworks to align pricing with equitable tax practices.

Since individual financial capability affects consumer behaviour, consumers should strive to ensure financial independence. This suggestion can be strengthened by promoting personal financial literacy programs, such as those under Nigeria's National Financial Literacy Framework, encouraging savings schemes, and fostering community groups for peer education on budgeting amid economic challenges like inflation

5.4 Contribution to knowledge

This study offers significant contribution to literature conceptually, theoretically, and empirically.

Conceptually, the study focused on identifying gaps in literature pertaining to Value Added Tax implementation and its impacts on consumer behaviour in Southwest, Nigeria. The conceptual framework of this study equally offers conceptual contribution as it was constructed by the researcher analyzing the gaps identified in literature. The model combined independent variable (Value Added Tax) and dependent variable (consumer behaviour) with measures ranging from dimensions of Value Added Tax (Equitable taxation and Individual Financial Capability) and

Consumer Behaviour (Physiological Needs, Security Needs and Social Needs). The model also can be adapted to suit future studies.

From the theoretical stand point, the Maslow Hierarchy of Needs Theory was strengthened. The theory posits that human needs are arranged in a hierarchical order, from basic physiological needs to the more complex self-actualization needs. This analysis explores the applicability and relevance of Maslow's theory in understanding contemporary consumer behaviour, considering modern economic conditions, technological advancements, and cultural shifts. Contemporary researchers have adapted Maslow's model to fit the complexities of modern life, considering factors like cultural differences, technological advancements, and the dynamic nature of human needs. Maslow's original hierarchy consists of five levels: physiological, safety, love/belonging, esteem, and self-actualization. In all, the points lay emphasis on the fact that this study offers significant contribution empirically to knowledge and has practical implication for the value added tax and consumer behaviour in Southwest, Nigeria.

5.5 Areas of Further Research

This study focused on Value Added Tax implementation and its impact on consumer behaviour in Southwest Nigeria. Nevertheless, to further broaden the frontiers of knowledge, the following areas of studies are suggested for further research.

The present study was carried out in Southwest Nigeria; further studies in the area of Value Added Tax and consumer behaviour can also be conducted in other geopolitical zones, such as North-Central or Southeast Nigeria, to extend the knowledge gained from this work across the country and enable comparative analyses of regional variations in tax compliance and behavioural responses

This study investigated Value Added Tax implementation and its impact on consumer behaviour in Southwest Nigeria; a comparative study with companies in other sectors, such as manufacturing or services, may be considered in the nearest future to assess sector-specific dynamics in tax perception and consumer reactions.

This study employed secondary data for collection of information from the selected commodity companies; the same study may be carried out in the nearest future using primary data from the organisations, such as surveys or interviews, to capture real-time consumer insights and enhance empirical robustness

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Appendix 1

Print Outs for Analyses

Hypothesis One

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.405 ^a	.164	.138	.31861

ANOVA^a

Model	Sum of Squares	Df	Mean Square	F
1 Regression	3.134	5	.627	6.174
Residual	15.937	15	.102	
Total	19.071	16		
		2		

a. Dependent Variable: Consumer Behaviour

b. Predictors: (Constant), Equitable Added Tax, Individual Financial Capabi

Predictors: (Constant), Equitable Added Tax, Individual Financial
Capability

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.129	.298		7.153	.000
	Equitable Added Tax	.027	.063	.036	.435	.664
	Individual Financial Capability	.237	.086	.251	2.762	.006
a. Consumer Behaviour:						

Hypothesis Two

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.342 ^a	.117	.100	.32546

a. Predictors: (Constant), Equitable Taxation

ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2.229	3	.743	7.015	.000 ^b
	Residual	16.842	159	.106		
	Total	19.071	162			

a. Dependent Variable: Consumer Behaviour

b. Predictors: (Constant), Equitable Taxation

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.415	.239		10.086	.000
	Equitable Taxation	.043	.070	.054	.613	.541

a. Dependent Variable: Consumer Behaviour

Hypothesis Three

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.342 ^a	.117	.106	.32437

a. Predictors: (Constant), Individual Financial Capability

ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2.237	2	1.118	10.629	.000 ^b
	Residual	16.834	160	.105		
	Total	19.071	162			

a. Dependent Variable: Consumer Behaviour

Predictors: (Constant), Individual Financial Capability

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.050	.305		6.712	.000
	Individual Financial Capability	.153	.101	.133	1.967	.031

a. Dependent Variable: Consumer Behaviour

Appendix II

Bio-Data

A. Personal Data

Full Name: ADEDIRAN SEKEENAH ADEPEJU

Address: 7, Hastrup Layout, Red gate, Oluyole, Ibadan.

Email: adepejusekeenah@gmail.com

Phone No.: 07065597059

Date and Place of Birth: 28-12-1995, Ilorin

Nationality: Nigeria

Name and Address of Next of Kin: ADEDIRAN, Opeyemi Mubaraq
7, Hastrup Layout, Red gate, Oluyole, Ibadan

B. Educational Background

Educational Institutions Attended with Dates and Qualification:

	Dates	Qualification
1. University of Ilorin	2012 – 2016	B.Sc (Hons) Accounting
2. Thomas Adewumi International College Oko, Omu-Aran, Kwara State	2009 - 2012	WEAC and Cambridge O Level

C. Working Experience with Dates:

[2021 - till date] Joint Admissions and Matriculation Board, Ibadan

Position held: Senior Accountant

[2018 - 2019] Stanbic IBTC Bank, Abuja

Position held: Client Service Officer

[2017 - 2018] Faxx Stores and Trading Limited

Position held: Account Officer

[2018 - 2018] iCentra Consulting Limited

Position held: Account Intern

D. Membership of Professional Bodies

1. Associate - Institute of Chartered Accountants of Nigeria
2. Associate - Accounting Technician Scheme

E. Publications

1. None

University Compliance Certification

This is to certify that this Thesis written by **Sekeenah Adepeju ADEDIRAN** with Matriculation No. **LCU/PG/005450** in the Department of Management and Accounting of the Faculty of Social Sciences, Lead City University, Ibadan is in full compliance with the approved University format and style.

Signature

Date

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