

Value Added Tax, Tax Revenue and Economic Growth in Nigeria

Olakunbi TAIWO-TAIWO
LCU/PG/000366

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Certification

This is to certify that **Olakunbi A. Taiwo-Taiwo** with matriculation number **LCU/PG/000366** carried out this research work titled “Value added tax, Tax revenue and Economic growth in Nigeria” in the Department of Economics, Faculty of Management and Social Sciences, Lead City University, Ibadan, Oyo state, for the award of Doctor of Philosophy Degree in Economics and this has not been previously submitted

Prof. Campbell O.A.
(Supervisor)

Date

Dr. Olusola Ogunjinmi
(Head of the Department)

Date

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Dedication

This research work is dedicated to Almighty God and I will also like to appreciate my darling father, Late Rev (Barr) Taiwo Ilori-Oladele, whose desire was to see me achieve this feat academically.

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Abstract

Every government has the responsibility to provide infrastructure for an enabling environment for its citizens. However there are needs for funds, these funds are mostly derivable from tax of which in the Nigeria context VAT has a potential to increase tax which can lead to economic growth. Therefore this study seeks to examine the contributory effect of value added tax to the level of tax revenue in Nigeria; to investigate the effect of value added tax on economic growth in Nigeria; to determine the extent to which tax revenue affect economic growth in Nigeria; to ascertain the threshold of value added tax as a proportion of tax revenue that can spur economic growth in Nigeria; and to establish the causal link among value added tax, tax revenue and economic growth in Nigeria. This is in a bid to investigate the relationship among value added tax, tax revenue and economic growth in Nigeria between 2010 and 2021 using quarterly data sourced from CBN statistical bulletin and WDI. The techniques that were employed to achieve the objective of this study were ARDL model and Granger Causality through the VECM approach. The result of the study indicates a negative contributory effect of VAT on tax revenue, a positive and significant effect of tax revenue on economic growth, a negative and insignificant effect of VAT on economic growth, and a causal link among VAT, tax revenue and economic growth. It can therefore be concluded that there is a significant relationship between VAT, tax revenue and economic growth in Nigeria. Hence it is recommended that government should work at increasing the level of VAT in the country to produce positive overall tax revenue as well as the economy; government should also employ means by which tax revenue is increased for economic growth.

Keywords: VAT, Tax Revenue, Economic Growth, ARDL and Granger Causality

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List of Acronyms

Abbreviation	Meaning
ADF:	Augmented Dickey-Fuller
ARDL:	Auto regressive distributed lag model
BOP:	Balance of payment
CBN:	Central Bank of Nigeria
CEE:	Central and Eastern European countries
CIT:	Corporate income tax
EU:	European Union
FIRS:	Federal Inland Revenue Service
FIRS:	Federal Inland Revenue Services
FMOLS:	Fully Modified Ordinary Least Squares
GDP:	Gross domestic product
LG:	Local government
NEEDS:	National Economic Empowerment and Development Strategy
OECD:	Organization for Economic Co-operation and Development
GST:	Goods and services tax
OLS:	Ordinary Least Square
PCI:	Per capita income
PPT:	Petroleum Profit Tax
SAP:	Structural Adjustment Programme
SSA:	Sub-Saharan African
SUR:	Seemingly Unrelated Regression
VAR:	Vector Auto regressive
VECM:	Vector Error Correction Model
WDI:	World Development Indicator