International Journal of Asian Social Science
ISSN(e): 2224-4441/ISSN(p): 2226-5139

URL: www.aessweb.com

EMPIRICAL ANALYSIS OF EFFECT OF TAX REVENUE ON ECONOMIC DEVELOPMENT OF NIGERIA

Grace N. Ofoegbu[1†] --- David O. Akwu[2] --- Oliver O[3]
[1,2,3]*Department of Accountancy, University of Nigeria Enugu Campus Enugu, Enugu State Nigeria*

ABSTRACT

The purpose of this study is to examine the effect of tax revenue on the economic development of Nigerian, and to ascertain whether there is any difference in using HDI and GDP in establishing the relationship. The approach adopted in this study was that of using annual time series data for the period 2005 â€“ 2014 to estimate a linear model of tax revenue and human development index using ordinary least square (OLS) regression technique. Findings show a positively and significantly relationship between tax revenue and economic development. The result also reveals that measuring the effect of tax revenue on economic development using HDI gives lower relationship than measuring the relationship with GDP thus suggesting that using gross domestic product (GDP) gives a painted picture of the relationship between tax revenue and economic development in Nigeria. The researcher, therefore, conclude that tax revenue can be an instrument of economic development in Nigeria. Development of any tax policy on tax revenue for economic development should better be based on human development index rather than GDP. This study provides a useful insight for the government, stakeholders and policy makers into the importance of tax revenue for economic development as a result; income derived from tax should be judiciously used to encourage citizens to continue to pay tax.

© 2016 AESS Publications. All Rights Reserved.

Keywords: Tax revenue, Economic development, Economic growth, Gross domestic product, Human development index, Tax policy, Economic wellbeing, Quality of life.

Contribution/ Originality

This study contributes in the existing literature on how tax revenue can be an instrument of economic development. The study is one of the very few studies which have investigated the need to development tax policy on tax revenue for economic development based on human development index rather economic growth.

1. INTRODUCTION

The primary responsibility of every government all over the world is to ensure security, freedom and welfare of its citizen. For instance, Section 16(1b) of the 2011 Constitution of the Federal Republic of Nigeria states that "the government has the responsibility of ensuring the maximum welfare, freedom and happiness of its citizens" (Federal Government of Nigeria, 2011). To effectively carry out its primary function and other subsidiary functions, governments need adequate funding. Unfortunately, Government responsibilities continue to increase over time especially in developing countries; as a result of growing population of citizens, and technological development. In Nigerian, the government has depended so much on oil revenue for execution of its primary functions and economic

† Corresponding author

DOI: 10.18488/journal.1/2016.6.10/1.10.604.613
ISSN(e): 2224-4441/ISSN(p): 2226-5139
© 2016 AESS Publications. All Rights Reserved.

development programmes. Presently, there is a general fall in the price of crude oil which has adversely affected the Nigeria economic (Anyaehie and Areji, 2015; Uzonwanne, 2015). To this effect, the former Minister of Finance, Ngozi Okonjo-Iweala and other concerned citizens have called on governments at various levels to look for other means of revenue generation for the sustainable economic development of Nigeria. Kiabel and Nwokah (2009) corroborate this idea by saying that the dwindling revenue and increased cost of running government require all tiers of Nigeria government to look for alternative means of improving their revenue base. It is obvious that the country's revenue from oil can no longer fully support its development objectives.

Kusi (1998) states that many countries of the world depend mainly on taxation for generating required income to meet their financial needs. The tax provides a predictable and stable flow of revenue to finance development objectives (Pfister, 2009). Bird and Zolt (2003) opine that, effective and efficient tax system can assist the government generate enough revenue to take care of its estimated expenditure, meet the needs of the people, and effectively participate in the world economy. The quality of life of people of a state is the focus of any development objectives. Access to education, improved healthcare delivery, employment opportunities, clean air, safe drinking water and security of life and property determine the people's quality of life or standard of living (The World Bank Group, 2004).

A lot of literature exists on tax revenue and economic growth of Nigeria (Adereti *et al.*, 2011; Bukie *et al.*, 2013). In these studies, researchers used economic development and economic growth interchangeably. Some researchers estimated the effect of tax revenue on the economic development of Nigeria using Gross Domestic Product (GDP) which is an indicator for economic growth (Okafor, 2012; Success *et al.*, 2012; Worlu and Emeka, 2012). Dependency theorists argue that sometimes low-income earning countries shown evidence of economic growth with little or no economic development initiatives, especially in cases where these countries have functioned mainly as providers of required resources by wealthy industrialised countries. There may be an increase in GDP without any actual improvements in the standard of living of the people, and that culminates in economic growth without development (Tejvan, 2015). Therefore, the first objective of this study was to evaluate the effect of tax revenue on the economic development of Nigeria using Human Development Index (HDI) with the intention of shifting dependence on oil revenue to tax income for economic development of Nigeria. The second objective further ascertained the difference, if any, with the result obtained using HDI and GDP in estimating the effect of tax revenue on the economic development of Nigeria. The following hypotheses guided the study.

Ho^1 Tax revenue has no significant positive impact on economic development of Nigeria using (HDI).

Ho^2. The effect of tax revenue on the economic development of Nigeria is not significantly different from its impact on economic growth using GDP as a measure.

2. LITERATURE

2.1. Concept of Taxation

Taxation is an instrument employed by the government for generating public funds (Anyaduba, 2004). It is a required payment imposed by the government on the income, profit or wealth of individuals, group of persons, and corporate organisations. Piana (2003) opines that it is a result of the application of tax rate to a tax base. According to Brautigam (2008) a well-designed tax system can help governments in developing countries prioritize their spending, build stable institutions, and improve democratic accountability. The main purpose of a tax is to enable public sector finance its activities so as to achieve some nation's economic and social goals. It can also be for the purpose of redistribution of wealth to ensure social justice (Ola, 2001). Therefore, taxes can be used as an instrument for achieving both micro and macroeconomic objectives especially in developing countries such as Nigeria. However, Musgrave and Musgrave (2004) comment that the dwindling level of tax revenue generation in the developing countries makes it difficult to use tax as an instrument of fiscal policy for the achievement of economic development. Some governments like Canada, United States, Netherland, and The United Kingdom have substantially influenced

© 2016 AESS Publications. All Rights Reserved.

their economic development through tax revenue generated from Company Income Tax, Value Added Tax, and Personal Income Tax, and have prospered through tax revenue (Oluba, 2008). In Africa, natural resources such as income from production sharing, royalties, and corporate income tax on oil and mining companies yield the significant portion of tax revenue (Pfister, 2009). The tax sources are the basic and most reliable sources of government revenue because of their certainty and flexibility characteristics. Certainty characteristic implies that collection of taxes from taxpayers is assured, all other things being equal. Tax collection is not affected by the state of the economy; whether the economy is declining, stagnant or growing. Its flexibility makes it possible for the government to adjust the tax system to suit her desired purpose.

2.1.1. Taxation in Nigeria

Different types, forms and classes of taxes exist (Anyaduba, 2004) but the commonest classification in Nigeria is that according to the tax payer categorised as direct or indirect. The direct tax is a levy on personal, corporate income or property. Examples are Personal income tax, company income tax, petroleum profit tax, and capital gains tax. When the imposition is on the price of goods and services, then it is called an indirect tax. Indirect tax is payable on the consumption of products and services associated with import duties/tariffs, export duties, value added tax and excise duties. In Nigeria, the government can emphasize on any one of the tax forms depending on the objective it wants to pursue. In Nigeria, different legislations that allow the government tax its citizens and to increase the tax revenue of the country exist. These legislations are the Personal Income Tax Amendment Act 2011, Companies Income Tax Amendment Act 2007, the Petroleum Profit Tax Amendment Act 2004. Others are the Capital Gains Tax Amendment Act 2004, the Value Added Tax Amendment Act 2007 and the Education Tax Amendment Act 2004. The agency of the federal government in charge of the administration and collection of these taxes, (except customs/excise duties) up to April 2007 was the Federal Board of Inland Revenue (FBIR). In 2007, the board was scrapped and replaced by the Federal Inland Revenue Services (FIRS).

Nigeria has recorded an increase in tax revenue above the target every year. The Federal Inland Revenue Service (FIRS) reported taxation increased from ₦2.83 trillion to ₦4.71 trillion between 2010 and 2014. These figures do not include those taxes collected by tax authorities in the State Board the Local Government Revenue Committee (LGRC). The chart in figure 1below shows the target and actual tax revenue collected from 2000 to 2014.

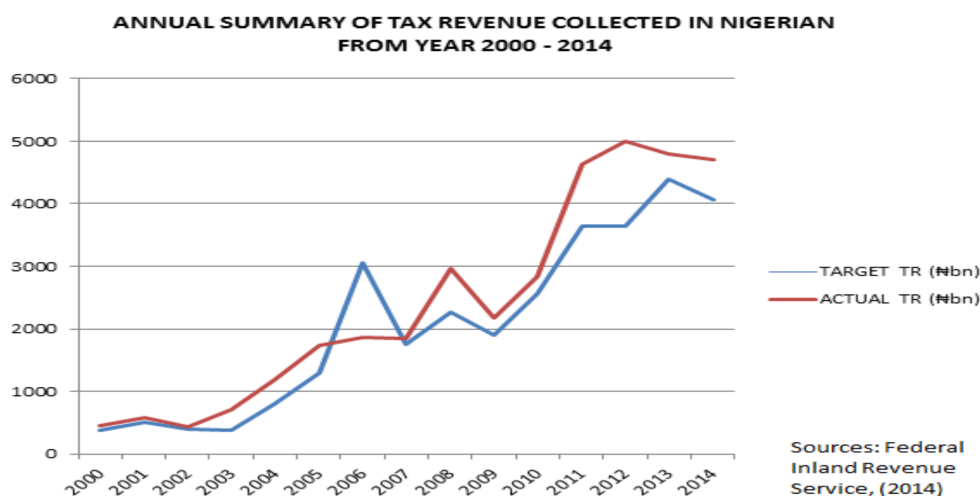

Figure-1. Annual Summary of Tax Revenue Collected in Nigeria From 2000 – 2014

Source: FIRS (2014)

2.2. Nature of the Nigerian Economy

Nigeria is one of the largest geographical units in West Africa and occupies a land area of 923,768 square kilometers. Nigeria lies within the tropics with two main vegetation zones. The rain forest and Savannah zones reflect

© 2016 AESS Publications. All Rights Reserved.

the amount of rainfall and its spatial distribution. The three broad sectors of the Nigerian economy are primary/agriculture/natural resources, secondary processing and manufacturing, and tertiary/services sectors. Two sectors dominated the Nigerian economy namely, agriculture and crude oil petroleum. In the 1960s and early 1970s, the primary revenue earner was agriculture and from the late 1970s to date, it has been the oil sector. Agriculture was the core driving force of economic activities then, followed by manufacturing and mining activities at very low levels of development (Apata *et al.*, 2011).

From the early 1970s, the Federal Government of Nigeria started experiencing an immense increase in revenue derived from crude oil. This sudden wealth from crude oil was invested in socio-economic infrastructures across the country especially in the urban cities, resulting in the growth of the country's service sector at a very high rate. The investment in the socio-economic infrastructure led to a migration of young men and women from the hinterland to the urban cities thus expanding the oil-driven urban economy. This drastic migration led to the collapse of the agricultural sector as oil became Nigeria's primary source of revenue. Only the aged in the village engaged in agricultural business activities. The migration also created many social problems, such as congestion, pollution, unemployment and criminal activities (Ezirim *et al.*, 2010).

Moreover, the prolonged military rule in Nigeria for almost three decades created social and economic stagnation. Unfortunately, the ruling government of late 1970’s could not address the situation hence Nigeria became one of the poorest economies in the world. Political instability, bad governance, especially in the 1990s, all contributed to the decline in the country’s socio-economic development (Sanusi, 2010). However, some economic achievements have been made due to the economic reforms introduced by the civilian administration under President Olusegun Obasanjo in 1999. The changes have put Nigeria back on track towards achieving her full economic potential. Nigeria gross domestic product (GDP) at purchasing power parity (PPP) has witnessed enormous increase from ₦14, 735.32bn in 2005 to ₦ 90,136.99bn in 2014. Nigeria is currently trying to expand her financial, telecommunications service, entertainment and technology sectors that are all contributing to the growth of her gross domestic product GDP as well as the economy at 6% - 8% rate per annum. The manufacturing sector produces a high proportion of goods and services in the West African region, and it is the third-largest in Africa. Some challenges to the country's rapid economic development are the inadequate power supply, lack of critical infrastructure, and the general fall in the price of oil that has given rise to the drastic reduction in the country’s total revenue.

2.3. Meaning of Economic Development and Growth

Economic development is a policy intervention efforts targeted at the economic and social well-being of people (Salmon Valley Business Innovation Centre, 2014). Its concern is on improvement in the quality of life of people, introduction of new goods and services using modern technological, mitigation of risk and dynamics of innovation and entrepreneurship (Hadjimichael *et al.*, 2014). The objective of economic development is to create an enabling environment for local communities and regions to develop new ways of production of goods in such quantities that may lead to exportation to other countries. Availability of financial resources from exportation leads to more investment in infrastructure for the benefit of the society and improvement in living conditions of the people, in education, transportation networks, health conditions, water supply, sewage and sanitation conditions (SVBIC, 2014). The changes create the conditions for long-run economic growth by positioning the economy on a higher growth trajectory (Hadjimichael *et al.*, 2014).

Economic development differs from economic growth. Economic growth specifically means an increase in the value of goods and services produced by a country over a period and Economists use an increase in country's GDP to measure it. Thus, it is possible to have economic growth without economic development in the short or even medium term (Hadjimichael *et al.*, 2014). In other words, there could be an increase in GDP without any increase in standard of living of people in a state. Environmental conditions that would enhance economic growth must be created through an investment of the national income in infrastructural development for subsequently improvement in the standard of

© 2016 AESS Publications. All Rights Reserved.

life of the population of a country (Wilkins and Zarawski, 2014). Writers use economic growth and development interchangeably and also use GDP as measurement indicator for both. However, since the two are differentiated, any attempt to use GDP as a measure for the two gives incorrect result on economic development. Robert *et al.* (2009) emphasize the need for a new measure of progress in the well-being of people, arguing that GDP is not a good measure because economic growth is not synonymous with improved well-being. The authors suggested that indicators promoting sustainable development should be used to replace GDP. Tejvan (2015) opines that one of the several measures of economic development is the Human Development Index (HDI). Diffen (2015) argues that HDI is a measurement indicator that takes into consideration the literary rates and life expectancy that affect productively and could lead to economic growth while economic growth does not take into account unrecorded economic activity.

2.3.1. Economic Development and Human Development Index (HDI)

Human Development Index measures long-term progress in three basic areas of human development namely: access to safe and healthy life, access to education, and a decent living standard (United Nations Development Programme (UNDP), 2014). Human Development Index (HDI) is a move towards a more holistic view of development *which* had previously focused more on per capita income. United Nation's Human Development released Human Development Index (HDI) first as part of her 1990 Report. The report stated that "development is much more than just the expansion of income and wealth; it should be a process of enlarging people's choices" (UNDP, 1990). The United Nations developed Human Development Index (HDI) as a measuring tool that ranks countries' levels of social and economic development based on three criteria: Health Index, Education Index, and Standard of Living Index. The health index represents life expectancy (i.e. the numbers of years) of a particular region or country under study. It correctly describes the extent to which life expectancy of the people in the area or country under study is greater than the minimum life expectancy. According to the United Nations (UN), the minimum and maximum life expectancy in the world is set at 25years and 85 years respectively (UNDP, 2014). The education index represents the literacy rate and enrollment rate of people, in a particular region or country under study. The Literacy rate means the percentage of people of 16 years of age and above who are literates (UNDP, 2014). These people must be able to write, read and understand a simple statement regarding their day-to-day life. While enrollment rate is the percentage of children of school-going age (primary, secondary and tertiary), who go to school. The standard of living index represents the per capita income of a region or country expressed in US$ at purchasing power parity (PPP) rate. They consist of the income of a country, the exchange rate between the country's currency and US$, and the price level index of the country in comparison to the US price level. Nigeria's HDI value for 2014 is 0.504, which is in the low human development category ranking the country at 152 out of 187 countries and territories. The Nigeria's HDI value increased from 0.466 to 0.504, between 2005 and 2014, an average annual growth of about 0.81 percent or an increase of 8.1 percent (UNDP, 2014).

2.4. Tax Revenue and Development of the Nigerian Economy

Worlu and Emeka (2012) examined the impact of Tax Revenue on the economic growth of Nigeria between 1980 and 2007 using its effect on infrastructural development. They reported that tax revenue has direct and indirect relationships with the infrastructural development and the gross domestic product respectively (GDP). The authors argue that the channels through which tax revenue affects economic growth in Nigeria are infrastructural development, foreign direct investment, and GDP. They stressed that availability of infrastructure stirs up an investment that in turn brings about economic growth. Bukie and Adejumo (2013) examined the effect of tax revenue on economic growth of Nigeria for the period 1970 to 2011, regressing indicators of economic growth (domestic investment, labour force and foreign direct investment) on tax revenue. The result shows that the indicators all have a positive and significant relationship with economic growth in Nigeria.

© 2016 AESS Publications. All Rights Reserved.

Owolabi and Okwu (2011) examined the contribution of only Value Added Tax (VAT) to Development of Lagos State Economy from 2001 to 2005. The study regressed each development indicator (infrastructural, environmental management, education sector, youth and social welfare, agricultural, healthcare, and transportation) on VAT revenue proceeds generated by Lagos State during the study period. Their finding was that revenue generated from VAT positively contributed to the development of the respective sectors of Lagos State economy during the period studied. Adereti *et al.* (2011) extended the study by examining the impact of VAT revenue on economic growth of Nigeria during the period 1994 to 2008 using time series data on the GDP, VAT Revenue, Total Tax Revenue and the total revenue of the federal government. The result of the study was in line with that of Owolabi and Okwu (2011) showing an existence of a positive and significant correlation between VAT Revenue and Gross Domestic Product of Nigeria. Success *et al.* (2012) investigated the impact of Petroleum Profit Tax on the economic development of Nigeria between the period 2000 to 2010. Their findings reveal that petroleum profit tax positively impacts on gross domestic product (GDP) of Nigeria, and the impact is statistically significant. They failed to report on the economic development that was the topic of consideration. However, the authors were worried that the enormous amount of money generated from Petroleum Profit Tax, and Oil Revenue do not translate into the economic development of Nigeria. They argue that the increase in the economic growth rate does not reflect in Nigeria's general economic development. Okafor (2012) examined the relationship between federally generated revenue and economic development in Nigeria using Gross Domestic Product (GDP) for the period 1981 to 2007. The result of the study showed a positive and significant relationship between Income Tax Revenue and Economic Development of Nigeria. Adegbie and Fakile (2011) concentrated on the relationship between Company Income Tax alone and Nigeria Economic Development. Their conclusion based on finding was that there is a significant association between company income tax and economic development of Nigeria.

The latest period examined by these authors was 2011. We believe that availability of timely information for government policy decisions is necessary. Also, authors used Gross Domestic Product (GDP) which is not a good measure of general well-being of people to examine the relationship between tax revenue and economic development of Nigeria. Our study extended the period of study to 2014 and used Human Development Index to measure the effect of tax revenue on the economic development of Nigeria instead of GDP.

3. METHODOLOGY

The *Ex post facto* research design was adopted for this study. The justification for the use is that required data are not manipulatable. Time series data for the period 2005 - 2014 were sourced from the Federal Inland Revenue Service (FIRS), World Bank Report and United Nations Development Programme (UNDP) reports. The data were analysed using the Ordinary Least Squares (OLS) regression technique. This regression technique has been employed and found to be suitable in similar researches like Balestra (1970); Okafor (2012); Ihenyen and Mieseigha (2014) due to its unique properties of linearity, efficiency, sufficiency, least variances, unbiasedness and least mean errors. The researchers adopted Koutsoyiannis (1977) model for this study:

$$HDI = \square + \beta \ln TR + \varepsilon \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (1)$$

Where: HDI = human development index,

□ = constant,

β = regression coefficient,

TR = tax revenue and ε = error term.

The emphasis of this study is to test whether Tax Revenue (TR) has significant and positive effect on Human Development Index (HDI) to agree or disagree that tax revenue is an instrument of economic development in Nigeria.

The figures of tax revenue (TR) in Table 1 below represent the actual amount of tax revenue collected, and Gross Domestic Product (GDP) figures are in local currency unit for the periods under study.

© 2016 AESS Publications. All Rights Reserved.

Table-1. Tax Revenue, Gross Domestic Product and Human Development Index of Nigeria (2005 - 2014)

YEARS	TR (Nbn)	GDP (Nbn)	HDI
2005	1,741.8	14,735.32	0.466
2006	1,866.9	18,709.79	0.466
2007	1,846.9	20,940.91	0.466
2008	2,972.2	24,665.24	0.466
2009	2,179.6	25,236.06	0.466
2010	2,839.3	55,469.35	0.492
2011	4,628.5	63,713.36	0.496
2012	5,007.9	72,599.63	0.500
2013	4,805.6	81,009.96	0.504
2014	4714.56	90136.99	0.504

Sources: Federal Inland Revenue Service (2014); World Bank (2015) and UNDP (2014)

The Human Development Index (HDI) from 2005 – 2009 was constant (i.e. 0.466). Before 2010, HDI was measured once in five years in Nigeria, but from 2010 to date, HDI is measured on a yearly basis. The effect of tax revenue on economic growth in Nigeria was also tested using GDP as a proxy for economic growth that some researchers used to represent economic development. This test was done to enable comparison of the results. Therefore, the model for this is stated below:

$$GDP = \square + \beta TR + \varepsilon \text{ .... (2)}$$

4. RESULTS AND DISCUSSIONS

Hypothesis 1.

A summary of the results of the Ordinary Least Square (OLS) regressions was presented in the table 2 below:

Table-2. Dependent Variable: HDI Method: Least Squares Sample: 1 10 Included observations: 10

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.443806	0.006321	70.21097	0.0000
TR	1.19E-05	1.80E-06	6.612665	0.0002
R-squared	0.845343	Mean dependent var		0.482600
Adjusted R-squared	0.826011	S.D. dependent var		0.017840
S.E. of regression	0.007441	Akaike info criterion		-6.786649
Sum squared resid	0.000443	Schwarz criterion		-6.726132
Log likelihood	35.93325	F-statistic		43.72733
Durbin-Watson stat	2.124961	Prob(F-statistic)		0.000167

$HDI = 0.44 + 1.19*TR + e_i$ --------------------------------------- regression equation
Adjusted R-squared = .82
HDI = dependent variable
TR = independent variable

The analyses reveal that tax revenue has a positive and significant effect on HDI. The coefficient of determination R^2 is 0.845, meaning that 84.5% of the variability in HDI (dependent variable) was influenced by the TR (independent variable). Hence, 15.5% variability in HDI was explained by other factors outside TR. The f-statistics of 43.72733 shows overall significance of the regression model. F-sig. level of .0001 is less than 0.05 which suggests that Ho is not true. Therefore, tax revenue has significant and positive influence on human development index thus tax revenue is an instrument for economic development in Nigeria.

Hypothesis-2.

In summary, the outcome of the Ordinary Least Square (OLS) regressions was presented in Table 3 table below.

© 2016 AESS Publications. All Rights Reserved.

Table-3. Dependent Variable: GDP Method: Least Squares Sample: 1 10 Included observations: 10

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-17052.15	9365.446	-1.820751	0.1061
TR	19.56056	2.666072	7.336847	0.0001
R-squared	0.870612	Mean dependent var		46721.66
Adjusted R-squared	0.854438	S.D. dependent var		28898.37
S.E. of regression	11025.48	Akaike info criterion		21.63066
Sum squared resid	9.72E+08	Schwarz criterion		21.69118
Log likelihood	-106.1533	F-statistic		53.82932
Durbin-Watson stat	1.945697	Prob(F-statistic)		0.000081

GDP = -17052.15 + 19.56*TR + e_i --------------------------------------- regression equation
Adjusted R-squared = .854
TR = Tax Revenue
GDP = independent variable

The analyses for Hypothesis 2 reveal that tax revenue has a positive and significant effect on GDP. The coefficient of determination R^2 is 0.870, meaning that 87% of the variability in GDP (dependent variable) was influenced by the TR (independent variable). Hence, 13% variability in GDP was explained by other factors outside TR. The F-statistics of 53.82932 shows overall significance of the regression model. F-sig. level of .000081 is less than 0.05 which suggests that Ho is not true. Therefore, tax revenue has significant and positive influence on gross domestic product thus tax revenue is an instrument for economic growth in Nigeria.

5. CONCLUSION AND RECOMMENDATIONS

This study examined the extent to which revenue generated from taxes can enhance economic development in Nigeria using HDI. The result indicated that tax revenue has a positive and significant effect on human development index. The regressing gave R-squared results of 84.5% and adjusted R-square of 82.6%. The result is different when tax revenue is regressed against GDP. Regressing TR against GDP presented an R-square result of 87% and adjusted R-square of 85.4% that is higher than that of HDI. This result supports the thinking of Robert *et al.* (2009) that GDP is a measure of economic growth, and not the social well-being, economic equality, welfare, or the environmental well-being of people of a state. The implication is that tax revenue is not making as much impact on economic development as on gross domestic product of Nigeria. The increasing amount generated from tax every year should have ensured improved economic well-being and a better standard of living for the Nigerian citizens, but the present positions of HDI have not changed significantly over the years. Baghebo (2012) in his study on efficient utilization of tax revenue in Nigeria notes that high rate of poverty, unemployment, inflation, insecurity, and inadequate healthcare delivery still prevails despite the increasing tax revenue. The author attributed these problems to an ineffective and inefficient utilisation of tax revenue. Availability and mobilization of income are the primary factors on which economic development are managed and sustained. Global Alliance for Tax Justice (2015) considers tax as the most important, reliable, beneficial, and sustainable source of finance for development. Hence, less developed countries are being advised to have a long-run aim of replacing foreign aid with tax revenue especially in Africa.

Therefore, to ensure sustainable economic development, generated tax revenue must be sufficient, efficiently and judiciously utilized. The government should pay attention to encouraging her citizens to build trust in it by tax accountability, ensuring that the promises made to the citizens are highly delivered. It should also ensure that the tax system is very transparent and the proceeds from taxes used honestly for the betterment of the citizens.

Provision of facilities that will ensure the comfortable existence of necessary amenities for the well-being of the majority of citizens of the state must not be treated with levity. If individuals and companies have no safe drinking water, no good road network, improved healthcare system and educational system, and have to live in perpetual fear, why would they be willing to pay tax. The citizens must feel the impact of development so as to pay tax voluntarily.

© 2016 AESS Publications. All Rights Reserved.

The federal government should prudently manage the financial resources generated from taxes and also reduce drastically municipal waste of funds. Practical application of tax revenue to solving problems surrounding welfare of the citizens' will results into more generation of tax revenue.

REFERENCES

Adegbie, F.F. and A.S. Fakile, 2011. Company income tax and Nigeria economic development. European Journal of Social Sciences, 22(2): 309 - 332.

Adereti, S.A., J.A. Adesina and M.R. Sanni, 2011. Value added tax and economic /growth of Nigeria. European Journal of Humanities and Social Sciences, 10(1): 555-571.

Anyaduba, J.O., 2004. Partnership taxation in Nigeria. ICAN Student Journal, 9(2): 15 - 17.

Anyaehie, C.M. and C.A. Areji, 2015. Economic diversification for sustainable development in Nigeria. Open Journal of Political Science, 5: 87 – 94.

Apata, T.G., A. Folayan, O.M. Apata and J. Akintua, 2011. The economic role of Nigeria's subsistence agriculture in the transition process: Implications for rural development. Paper Presented at the 85th Annual Conference of the Agricultural Economics Society, 18 – 20th April, Warwick University, Warwick.

Baghebo, M., 2012. Effective utilization of tax revenue in Nigeria. International Journal of Academic Research in Business and Social Sciences, 7(2): 280 – 289.

Balestra, P., 1970. On the efficiency of ordinary least-squares in regression models. Journal of the American Statistical Association, 65(331): 1330- 1337.

Bird, M.R. and M.E. Zolt, 2003. Introduction to tax policy design and development. Available from http://www.worldbank.org/ [Accessed 1st October, 2015].

Brautigam, D., 2008. Taxation and governance in Africa. AEI online. Available from http://www.aei.org/publication/taxation-and-governance-in-africa [Accessed 27th September, 2015].

Bukie, H.O. and T. Adejumo, 2013. The effect of tax revenue on economic growth in Nigeria. International Journal of Humanities and Social Invention, 2(6): 16 – 26.

Bukie, O.H., O.T. Adejumo and G.E. Edame, 2013. The effects of tax revenue on economic growth of Nigeria. International Journal of Humanities and Social Science, 2(6): 16 - 26.

Diffen, 2015. Economic development vs economic growth. Available from http://www.diffen.com/difference/Economic_Development_vs_Economic_Growth?utm_source=404suggestions&utm_medium=webref&utm_campaign=dfndotcom [Accessed 12th December, 2015].

Ezirim, A.C., C.T. Okeke and O.T. Ebiringa, 2010. Achieving vision 2020 in Nigeria: A review of the economic and karket-oriented business reforms. Journal of Sustainable Development in Africa, 12(4): 58-71.

Federal Government of Nigeria, 2011. Constitution of the federal republic of Nigeria (Third Alteration). The National Industrial Court.

Federal Inland Revenue Service, 2014. Annual summary of collected tax in Nigeria. Available from www.firs.gov.ng.

Global Alliance for Tax Justice, 2015. Position Paper and Recommendtions for The Third UN Conference on Financing for Development.

Hadjimichael, F.M., T. Kemenyy and L. Lanahan, 2014. Economic development: A definition and model for investment. Available from http://www.edu.gov/tool [Accessed 28th September 2015].

Ihenyen, C.J. and E.G. Mieseigha, 2014. Taxation as an instrument of economic growth (The Nigerian Perspective). Information and Knowledge Management, 4(12): 49 – 53.

Kiabel, B.D. and N.G. Nwokah, 2009. Boosting revenue generation by state governments in Nigeria: The tax consultants option revisited. European Journal of Social Sciences, 8(4): 532–539.

Koutsoyiannis, A., 1977. Theory of econometrics. London: The Macmillan Press Ltd.

Kusi, N.K., 1998. Tax reform and revenue productivity in Chana. Nairobi, Kenya: The African Economic Research Consortium.

© 2016 AESS Publications. All Rights Reserved.

Musgrave, R.A. and P.B. Musgrave, 2004. Public finance in theory and practice. 5th Edn., New Delhi: Tata McGraw.

Okafor, R.G., 2012. Tax revenue generation and Nigerian economic development. European Journal of Business and Management, 4(19): 49 – 56.

Ola, C.S., 2001. Income tax law and practice in Nigeria. Ibadan: Dalag Prints and Part.

Oluba, M.N., 2008. Justifying resistance to tax payment in Nigeria. Economic Reflections, B(3). April, 2008.

Owolabi, S.A. and A.T. Okwu, 2011. Empirical evaluation of contribution of value added tax to development of Lagos State economy. Middle Eastern Finance and Economics, 1(9): 24 –34.

Pfister, M., 2009. Taxation for investment and development: An overview of policy challenges in Africa. Ministerial Meeting and Expert Roundtable of the NEPAD – OECD Africa Investment Initiative on November 11 – 12.

Piana, V., 2003. Tax revenue. Economics Web Institute. Available from http://www.economicswebinstitute.org/glossary/tax [Accessed 23th October, 2015].

Robert, C., H. Maureen, P. Stephen and T. John, 2009. Beyond GDP: The need for new measures of progress. Available from http://www.bu.edu/ [Accessed 23th October, 2015].

Salmon Valley Business Innovation Centre, 2014. What is economic development? Available from www.subic.com/node/2.

Sanusi, L.S., 2010. Growth prospect for the Nigerian economy. Eight Convocation Lecture Delivered at Igbinedion University, Okada, Edo State.

Success, M.J., E.B. Success and M.S.K. Ifurueze, 2012. Impact of petroleum profit tax on economic development of Nigeria. British Journal of Economics and Management Sciences, 5(2): 60–70.

SVBIC, 2014. What is economic development? Available from www.subic.com/node/2.

Tejvan, P., 2015. Difference between economic growth and development Economicshelp org. Available from http://www.economicshelp.org/blog/1187/develop [Accessed 12th December, 2015].

The World Bank Group, 2004. Beyond economic growth an introduction to sustainable development. Second edition. Available from http://www.worldbank.org [Accessed 28th September 2015].

UNDP, 1990. Concept and measurement of human development. Available from http://hdr.undp.org/en/reports/glopal/hdr1990/.

United Nations Development Programme (UNDP), 2014. Human development report. Available from http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/NGA.pdf [Accessed 3th January, 2015].

Uzonwanne, C.M., 2015. Economic development in Nigeria in the face of dwindling oil revenue. Journal of Economic and Sustainable Development, 6(4): 61 – 67.

Wilkins, K. and A. Zarawski, 2014. Infrastructural investment in chine. Bulletin, June quarter, 27–35. Reserved Bank of Australia. Available from http://www.rba.gor.an/publications/bulletin [Accessed 5th October, 2015].

World Bank, 2015. Nigeria GDP – GDP (Current LCU). World bank national accounts and OECD national accounts files. Available from www.indexmundi.com [Accessed 17the April, 2016].

Worlu, C.N. and N. Emeka, 2012. Tax revenue and economic development in Nigeria: A macroeconometric approach. Academic Journal of Interdisciplinary Studies, 1(2): 211-223.

Views and opinions expressed in this article are the views and opinions of the authors, International Journal of Asian Social Science shall not be responsible or answerable for any loss, damage or liability etc. caused in relation to/arising out of the use of the content.

© 2016 AESS Publications. All Rights Reserved.