

VALUE ADDED TAX REVENUE AND MACROECONOMIC PERFORMANCE IN NIGERIA

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ABSTRACT

This study examined value added tax revenue and macroeconomics performance in Nigeria. Specifically, the study examined the effect of value added tax revenue (VATR), on gross domestic product growth (GDP), employment generation (EMPR) and inflation (INF) in Nigeria. The ex-post facto research design was employed and secondary data was sourced from the Nigerian economy for twenty-four years (2000-2024) from the reports of the Central Bank of Nigeria statistical bulletin, the National Bureau of Statistics and the Federal Inland Revenue Service. The Pearson correlation coefficient and multiple regressions analysis were utilized with the aid of Stata12 software. Also, the Tado-Yamamoto causality test was applied to determine the direction of influence among the variables in the model. The study revealed a significant relationship between values added tax revenue, and employment generation in Nigeria. Likewise, VATR have a significant relationship with GDP, whereas VATR and inflation rate had an insignificant relationship. The research work recommended that policymakers in Nigeria should widen the tax base to generate more revenue to provide funds for investment in critical socio-economic infrastructure and the diversification of the Nigerian economy. This will enhance the contributions of value added tax revenue to macroeconomic stability. The fiscal authorities should curb corrupt practices in the tax administration by automating the end-to-end processes from e-registration, e-assessment, e-collections and payment of tax obligations. The fiscal and monetary authorities should collaborate in the formulation and implementation of complementary policies to stimulate economic growth, generate massive employment and maintain price stability in Nigeria.

Keywords: Value Added Tax Revenue, Macroeconomic, Performance.

INTRODUCTION

The stability of a macroeconomic environment plays an important role for businesses and the overall competitiveness of a country. Traditionally, macroeconomic performance indicators include gross domestic product (GDP) growth, full employment, price stability, the balance of payment (BOP) positions, and income distribution amongst others. Kadenge (2021) argued that the performance of an economy is usually assessed in terms of achievement of economic objectives. These objectives can be long term, such as sustainable growth and development, or short term such as the stabilization of economy in response to sudden and unpredictable events called economic shocks. An economy is adjudged to be performing well when, there is high economic growth, high productivity of factors of production, and improved social welfare; Resources were allocated efficiently. According to Lovell et al. (2015) defined macroeconomic performance as a high level of real GDP per capita, a low rate of inflation, a low rate of unemployment, and a favourable trade balance. Mobilization of domestic resources to provide long-term and sustainable growth is an essential policy option available to developing countries (Mosomi 2015; Akwe, 2014). The

most imperative instrument by which resources are mobilized and appropriately channeled to the government coffer is through the implementation of a feasible and effective tax revenue measures (Gale & Samwick, 2014; Eugene & Abigail, 2014; Fagbemu et al., 2010). Failure to do so will result in seeking for domestic borrowing and external assistance, hence, as these measures would increase the vulnerability of the economy in terms of macroeconomic disequilibrium. The use of borrowed funds from the multilateral institutions is challenging and precarious given the high interest rate and restrictive conditions from the donor agencies. Moreover, other sources of domestic borrowing are limited due to poor private sector development or participation in the economic activities. Therefore, tax revenue remains the viable and productive measure through which government raise money for statutory functions and to finance other developmental responsibilities (Adereti et al., 2011; Ihendinihu et al., 2014).

Taxation is a major source of public revenue for countries worldwide especially among developing economies. These countries have widespread fiscal pressure, whereby public expenditure exceeds the available incomes. The challenge had triggered a call for raising tax revenue to promote fiscal sustainability and keep the economy on the path of rapid and sustainable development. Udoh (2017) describes the implementation of fiscal policies of many countries in Sub-Saharan Africa (SSA) as sub-optimal. It posits that increases in tax revenues will boost economic growth. Tax revenue provides resources for investment in critical sectors of the economy to drive economic growth and development (Garba, 2014). Nigeria generates revenue from several sources including the internal and external sources. The internal sources of revenue according to Worlu and Nkoro (2012) is classified into the oil revenue (including royalties, petroleum profit tax, gas tax) and the non-oil revenue (including direct and indirect tax, loans, grants, trades, aids). The Nigerian tax revenue comprised of the direct and indirect taxes. The direct tax is made up of personal, companies' income and petroleum profit taxes. Indirect tax which was formerly made up of import, export and excise duties have undergone various reforms with the taxes under it joined together and called customs and excise duties. The tax system is a tripartite structure in Nigeria consisting of tax policy, tax laws and tax administration (Adejare, 2015). According to Okpe (2015), tax payment creates an opportunity to transfer resources and income from households and firms to the government to achieve strategic economic and social goals. Onoh (2013) asserts that these goals include job creation, price stability, rapid economic growth, income redistribution, and a favourable balance of payment (BOP). It is a reliable source of funds for long-term infrastructural development.

Tax policy can affect the overall economy in three main ways: by altering demand for goods and services; by changing incentives to work, save and invest; and by raising or lowering budget deficits. The macroeconomic effects of taxes are important because they can affect people's well-being and have varied effect on measured economic output. Macroeconomic changes creates dynamic effects that influence the amount of revenue a tax system can raise. However, evidence suggests that those dynamic effects are generally modest. Tax policy also affects the economy through its effect on the government's budget deficit. A reduction in tax revenues increases the deficit (all things been equal). A larger deficit implies increased government borrowing, which reduces the funds available for private investment because savings that would otherwise go to private investment are used to purchase government debt (Ben, 2017). The effect of taxation covers all the changes in the economy resulting from the imposition of a tax system. Experts opined that without taxation, a market economy would not attain certain levels of production, consumption, investment,

employment and other similar patterns. The presence of taxation modifies these patterns and such modifications may collectively be called the effect of taxation (Olawumi & Adesanmi, 2020). The achievement of macroeconomic goals namely, full employment, stability of price level, high and sustainable economic growth and external balance, from time immemorial, has been a policy priority of every economy whether developed or developing, given the susceptibility of macroeconomic variables to fluctuations in the economy. The realization of these goals is not automatic but requires policy guidance. The policy guidance represents the objectives of economic policy (Olawunmi & Ayinla, 2007). Despite the increase in value added tax revenues over time, the macroeconomic outlook in Nigeria in terms of employment generation, income distribution, inflationary pressures, pro-poor economic growth, and BOP positions have been insignificant. Hence, there are concerns about the direct and indirect macroeconomic implications of value added tax revenues in Nigeria. Thus, there was a lack of consensus among the policymakers and academics on the effectiveness of value added tax revenue on economic activities in the country. Some argue that Nigeria through its policies should pursue tax reforms to boost earnings from tax to encourage financial stability, growth and development. Others say that the implications of the imposing more taxes on economy aggregates could lead to negative consequences.

As observed from the empirical literature, this study followed a wholistic approach in measuring macroeconomic performance by incorporating GDP growth, employment generation and price stability. This filled the existing gap in previous studies that limited their content scope to only GDP, unemployment or inflation. Based on the bottlenecks discussed above, this study examined value added tax revenue and macroeconomic performance in Nigeria.

Conceptual Framework

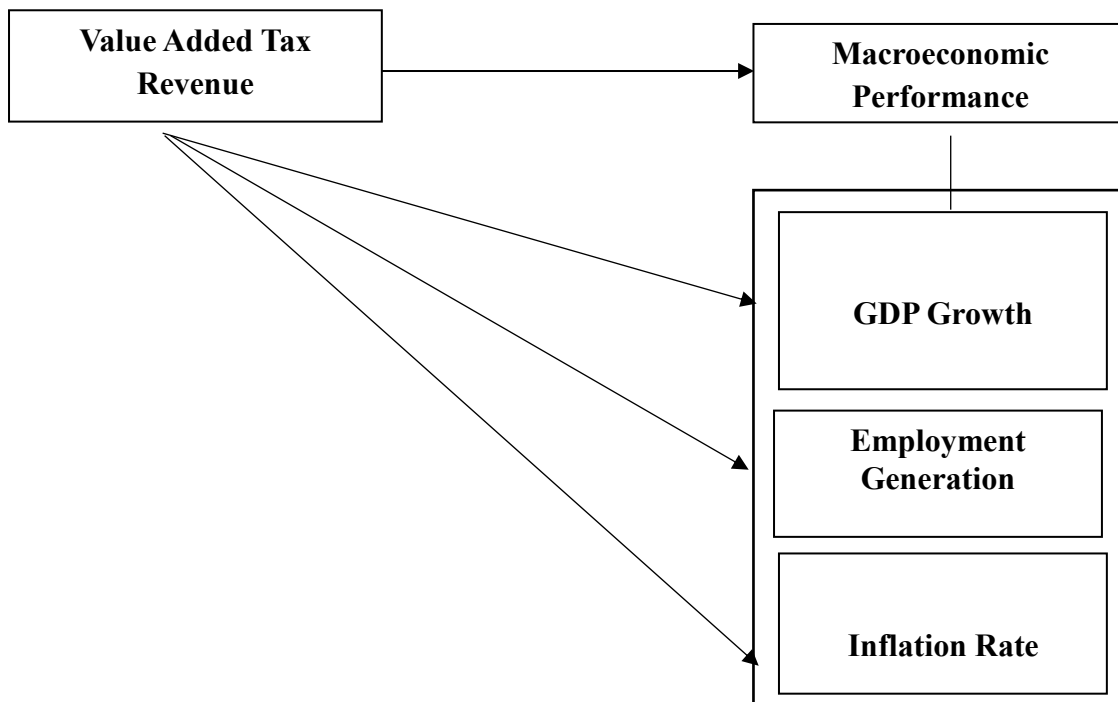


Figure 1.1: Conceptual framework of the relationship between value added tax revenue and macroeconomic performance in Nigeria.

Sources: Anyanwu (1989); Adeniran & Uguru (2020); Ewa et al. (2020), Onowu, JU (2025), Researcher, (2025).

Aim and Objectives of the Study

The aim of this study was to examine the effect of value added tax revenue on macroeconomic performance in Nigeria. Specifically, this study attended to:

1. Examine the effect of value added tax revenue on gross domestic product growth in Nigeria.
2. Examine the effect of value added tax revenue on employment generation in Nigeria.
3. Examine the effect of value added tax revenue on inflation rate in Nigeria.

Research Questions

This study addressed the following research questions:

1. What is the effect of value added tax revenue on gross domestic product growth in Nigeria?
2. What is the effect of value added tax revenue on employment generation in Nigeria?
3. What is the effect of value added tax revenue on inflation rate in Nigeria?

Research Hypotheses

The hypotheses formulated for this study are outlined in their null forms as follows:

H₀₁: There no effect of value added tax revenue on gross domestic product growth in Nigeria

H₀₂: There is no effect of value added tax revenue on employment generation in Nigeria

H₀₃: There is no effect of value added tax revenue on inflation rate in Nigeria

REVIEW OF RELATED LITERATURE

Conceptual Review

Concept of Tax Revenue

Aguolu, (2014) describe tax as a compulsory levy by the government through its agencies on the income, consumption and capital of the governed. The composition of these compulsory levies are made on personal income, such as salaries, business profits, interests, dividends, discounts and royalties as well as the company's profits, petroleum profits, capital gains. Tax can further be defined as a compulsory levy enforced by tax authorities on income, expenditure, wealth or people, for which nothing is received by the taxpayers directly or specifically in return (Shang, 2016). At the same time, Frecknall-Hughes (2014) identifies tax revenue as the most important financial source for governmental public expenditures.

Yahaya and Yusuf (2020) classify tax revenue accruing to countries and governments across the world into broad groups comprising oil tax revenue and non-oil tax revenue. While oil tax revenue includes revenues from petroleum profit tax (PPT), royalty, and gas tax, non-oil tax revenue defines revenues from direct and indirect taxes paid by other sectors of the economy other than the oil sector. As an integral component of oil tax, the petroleum profit tax is imposed on all firms engaged in the extraction, refining, and distribution of petroleum products in the oil and gas sector and all its affiliates to pay tax. It has been remarked that oil-rich countries rely on oil tax to boost revenue and expenditure obligations of the public sector. The major compositions of non-oil tax include personal income tax (PIT), company

income tax, capital gain tax, withholding tax and education tax, VAT and custom and excise duties. Izedonmi and Jonathan (2014) and Umeora (2013) are of the view that VAT is a consumption tax introduced as a replacement to sales tax with the primary objective of boosting the public revenue base as well as making available funds for economic growth and development.

Value Added Tax Revenue

Value Added Tax

Value Added Tax (VAT) revenue refers to the income generated by governments through the imposition of VAT on the value added to goods and services at each stage of production and distribution. Value Added Tax (VAT) is multi-stage consumption tax that is applied to the sale of goods and services at all stages of production and distribution chain (Bird, 2015). Value-added tax (VAT) as an indirect tax that has the potential of diversifying the revenue portfolio for the country to promote fiscal sustainability and economic growth (Azaiki & Shagari, 2017). From the stand point of FIRS (2020), VAT is a tax on consumption paid when goods are purchase and services render.

Onowu, J.U (2025), value added tax revenue; is revenue derived from tax imposed on consumption of goods and services. Nowadays there is a global shift in paradigm, where focus point in moving from direct taxation policy towards indirect tax policy. The introduction of VAT has been globally associated with significant more tax revenue collected, even though the impact is modest in terms of size.

(Lockwood, 2017), relying more on VAT than income tax decreases real cost of evasion activities. This tax has been adopted in replacement of sales taxes and according to its definition; the key advantage is that revenue is secured by being collected through production decision unlike a turnover tax (Gordon & Nielsen, 2017). However, Aizenman (2018) emphasize that the VAT collection efficiency remains largely dependent on, the quality of enforcement and efficiency of monitoring which both increase with political stability and ease of political participation.

Concept of Macroeconomic Performance

The criterion variable for this study is the macroeconomic performance which defines how well a country is doing in reaching important objectives or key targets of public policy. The stability of a macroeconomic environment plays an important role for business and, therefore, has significance for the overall competitiveness of a country. Traditionally, macroeconomic performance indicators include GDP growth, full employment, price stability, the balance of payment (BoP) positions, and income distribution amongst others. According to Lovell et al. (2015) underscore that macroeconomic performance is defined in terms of a high level of real GDP per capita, a low rate of inflation, a low rate of unemployment, and a favorable trade balance. The inflation rate defined as the annual percentage increase of the cost of living as measured by the consumer price index is one of the indicators monitored by the authorities to set monetary policy. High inflation is a sign of macroeconomic imbalances. It often reduces economic growth and future growth prospects, thereby reducing the means of implementation of core macroeconomic objectives.

The unemployment rate is another important macroeconomic performance indicator in many countries. As the best-known labour market measure, the unemployment rate reflects the inability of an economy to generate employment for those persons who want to work but are not doing so, even though they are available for employment and actively seeking

work. It is arrived at by expressing the number of unemployed persons as a percentage of the total number of persons in the labour force (defined as the sum of the number of persons employed and the number of persons unemployed). Additionally, the exchange rate is another essential macroeconomic variable in the context of international economics for policy formulations, and a key price variable in which governments take a very active interest. The exchange rate is one of the most important fundamentals in an economy that trades goods and services internationally. As a price that measures the market value of common baskets of international and domestically produced goods, the level and stability of the real exchange rate are crucial elements in the process of macroeconomic adjustment and performance.

Measures of Macroeconomic Performance

GDP Growth

The annual percentage growth of the monetary values of goods and services is used as one of the criterion variables. The GDP growth rate is considered an important indicator of the macroeconomic performance in the country. It provides insights into the market value of all the goods and services produced within the borders of the country. The GDP growth enables policymakers and central banks to judge whether the economy is contracting or expanding. As described in the Bureau of Economic Analysis (2015), there are different approaches to measuring GDP. The "expenditure approach," in which GDP is measured as the sum of consumption, investment, government spending, and net exports, is the most familiar to many people.

Employment generation

The employment generation is measured by the total employment to population ratio. This is defined by the proportion of the country's population that is employed. The total employment to population ratio is measured in percentage based on the International Labour Organization (ILO) estimate. Essentially, employment involves persons of working age who, during a short reference period, were engaged in any activity to produce goods or provide services for pay or profit, whether at work during the reference or not at work due to temporary absence from a job, or to working-time arrangements. Economically, employment provides income to poor families, revives domestic demand for goods and services, and stimulates overall growth. Employment generation mainly aims at raising the productivity of the poorest workers and improving labour force participation.

Inflation Rate

The inflation rate measures changes in the average price level based on the price index. The most commonly known index is the consumer price index (CPI) defined as the annual percent change in consumer prices compared with the previous year's consumer prices. A high or increasing CPI indicates the existence of inflation. Changes in inflation erode the value of money and hence unacceptable levels of inflation can distort economic behaviour and impose costs on economic agents and industries resulting in uncertainties and inadequate planning. In addition, persistently high inflation adversely affects the vulnerable groups in the society while it distorts the relationship between borrowers and lenders leading to reduced savings and investment.

Inflation has continued to pose severe challenges in Nigeria's economic growth and stakeholders have been on their toes to see that a stable economy is possible. High and

sustained output growth in conjunction with low inflation is the common objective of macroeconomic policy all over the world. One of the main responsibilities assigned to monetary agencies is to maintain relative stability in the domestic price of goods and services. This emphasis is premised on the belief that monetary policy promotes sustainable growth and development by strengthening the value of money and prevents inflation and its associated uncertainties, thereby increasing the future growth prospects of the country. Thus, maintaining relative stability remains one of the vital goals of monetary authorities in a country (Anidiobu et al., 2018).

Theoretical Review

Ability to Pay Theory

A renowned proponent of the Ability to pay theory of taxation is Adams Smith in 1776. In his book titled 'the wealth of a nation' and further popularized and amplified by Author Cicil Pigou 1877 and the theory is adjudged one of the most renown and generally accepted theory of taxation is that which allows citizens to pay tax to the government in accordance to the ability of individual tax payers (Otu &Theophilus, 2012). According to Jones and Rhoades (2011), the theory is said to have originated by the Swiss philosopher Jean Jacques Rousseau between 1712 and 1778 in the 16th century and was scientifically extended by a number of scholars.

Since the introduction of the theory, it has dominated several literatures with a view to explaining basis upon which good tax system should operate (Lawrence, 2015). This theory holds that tax should be levied progressively to the income of taxpayers where those who earn more are made to pay more tax than those on lower income. Ability to pay theory of taxation is adjudged most reasonable and fair theory of taxation owing to the fact that it takes into account the disparities in come among various tax payers (Jones & Rhoades, 2011). Ability to pay theory has also been challenged by scholars on ground that it has no concrete approach for measuring the equity of sacrifice in absolute, proportional and marginal terms (Komal, 2013).

Benefits Received Theory of Taxation

Wicksell (1896) and Lindahl (1919) contributed to the development of the benefits received theory of taxation. This theory assumes that there is an exchange relationship between taxpayers and the state because the state provides certain goods and services to the members of the society. Thus, members of the society should contribute to the cost of these supplies in proportion to their share of the total benefits. This implies that the more benefits a person derive from the activities of the state, the more tax he/she should pay to the government. According to Anyanfo (1996), taxes should be allocated based on benefits received from government expenditure. Traditionally, the application of this theory has been observed in the aspects of progressive tax, corporation taxes, and taxes on property or wealth. Under the regime of progressives, the government should levy tax on individuals based on the benefits accruable to the individuals following their access to public goods provided by the government. In other words, the theory is built on the assumption of an exchange relationship between the taxpayers and the government. The benefit theory violates the basic principle of tax. A tax is paid for the general purposes of the state and not in return for a specific service. Moreover, it is commonly believed that the poor benefit more from the State activities than the rich. If that is so, then the poor have to contribute more than the rich, this would be absurd.

Empirical Review

Ewa et al. (2020) examined the impact of taxation proceeds on the development of the Nigerian economy. The study explored the impact of three tax income streams – Income tax from companies' profits, income tax from petroleum company profits and Value Added Tax on economic development represented by GDP growth for the period 1994 to 2018. The study applied the Ordinary Least Square statistical tool and found a positive relationship with a coefficient of determination of 99.2% of the variation in economic development attributable to the tax income streams studied. Also although the study revealed the existence of the significant effect of taxes from companies' profits and Value Added Tax on Gross Domestic Product Growth, there is little or no significant impact of taxes on profits of Petroleum companies of GDP growth in Nigeria due to restriction by Organization of Petroleum Exporting Countries (OPEC) production ceiling on Nigeria's production/sales and the global price shocks of crude oil over the decade. Again, the study revealed taxpayers' apathy to tax payment and the presence of tax leakages due to corruption and administrative inefficiencies by the tax authorities. Thus, the study recommended for greater transparency by the government on the management and utilization of tax resources so has to give taxpayers greater assurance of its application.

Using double least squares (2SLS) as an estimation technique, Mourfou and Ouedraogo (2021) explored the effect of different types of tax revenues on income inequality in the West African Economic and Monetary Union Countries (WAEMU) countries over the period 1996 to 2015. The different tax revenues introduced into the model include direct tax, domestic indirect tax revenues and commercial tax revenues. The results showed that an increase in direct tax revenues leads to a reduction in income inequality. In other words, progressive income taxation allows for an efficient redistribution of income from richer to poorer people, which contributes strongly to the reduction of income inequality. On the other hand, indirect domestic tax revenues and commercial tax revenues are found to be neutral in income distribution. These tax reforms thus explained the neutrality of the effects of indirect taxation in the WAEMU zone. In the light of these results, the study recommended that WAEMU countries should strengthen the progressivity of direct taxes and always maintain the neutrality of indirect taxes.

Okafor (2012) empirically examined the impact of tax revenue generation on Nigerian economic development. The objective of the study was to explore the impact of income tax revenue on the economic growth of Nigeria as proxied by the gross domestic product (GDP). The ordinary least square (OLS) regression analysis was adopted to explore the relationship between the GDP (the dependent variable) and a set of federal government income tax revenue heads over the period 1981-2007. A simple hypothesis was formulated in the null form which states that there is no significant relationship between federally collected tax revenue and the GDP in Nigeria. The regression result revealed a very positive and significant relationship. However actual tax revenue generated in most years fell below the level expected. The anomaly was attributed to dysfunctionalities in the income tax system, loopholes in tax laws and inefficient tax administration. Suggestions were made as to strategies to be adopted to improve the system of tax administration to increase tax revenue generation.

Using data from 1988 to 2017, Koatsaa et al. (2021) investigated the relationship between tax burden and economic growth in Lesotho by applying the log-linearized model of Scully's tax optimization model transformed into an ARDL bounds testing framework. The study utilized the Granger causality test and error correction model to explore the long-run

relationship between tax burden and economic growth in Lesotho. The findings of the study revealed a long-run relationship between economic growth rate and tax burden with a unidirectional causality running from economic growth to tax burden. Granger causality revealed no causal effect running from tax burden to economic growth in Lesotho despite the expectation of significant causal effect following both theoretical and empirical literature from various studies. Error correction results further supported a co-integrating relationship running from economic growth to tax burden with 100 percent speed of adjustment in the short-run towards a long-run equilibrium level. Based on the findings, the study recommended good domestic tax revenue mobilization to promote a resilient economy that is less dependent on external financing and grants for infrastructural development.

Acti and Abigail (2014) investigated the impact of taxation on economic growth of Nigeria using data from 1994 to 2012. The impact of total tax revenue on GDP was tested to ascertain if there is a relationship between growth in GDP and the growth in tax revenue over the years under review. Regression analysis was used with time series to ascertain the trend. The regression result shows a linear growth relationship between tax revenue and economic growth. To further test the impact of the individual independent variables on the dependent variable, a multiple regression was used. From the results there is no significant relationship between Company Income Tax, Value Added Tax and Gross Domestic Product. But there is a significant relationship between Petroleum Profit Tax, Custom, Excise Duties and Gross Domestic Product.

Gap in literature

As observed from the empirical literature, this study adopted a holistic approach assess the impact of value added tax revenue on three key macroeconomic performance indicators such as GDP growth, employment generation and price stability. This filled the existing gap in previous studies that limited their content scope to only GDP (Hongo et al., 2020; Folawewo & Adeboje, 2017), unemployment (Demire, 2020; Tsauroi, 2020; Whajah et al., 2019) or inflation (Gbadebo & Mohammed; 2015, Attamah, 2019). In addition to a broader coverage of the dimensions of macroeconomic aggregates, the period covered by this study (2000-2020) goes beyond the time frame in previous studies. The research work provides improved empirical evidence on the relationship between tax revenue and economic aggregates during the review period. The contemporary work will help policy makers explore the linkages between and among the variables of tax revenue and macroeconomic performance to optimize revenue to promote sustainable economic growth, full employment and price stability. Therefore, this work is a value addition to the knowledge universe as it design a heuristic model showing the composite relationship between value added tax revenue and macroeconomic performance in Nigeria.

METHODOLOGY.

Research Design

The study adopted ex-post facto research design.

Population of the Study

The population of this study is the Nigerian economy from which data was collected, hence it is best described to be macro in nature.

Sample and Sampling Techniques

The whole Nigerian economy was used, therefore there was no need for a sample size and sampling technique as it was not applicable in this study. Macro data for twenty-one years

(24) that is from (2000-2024) was used. The reason for this time frame is that within this period, there were a lot of tax reforms by the government. The macro data used were: Value Added Tax (VAT), GDP Growth, employment, generation and inflation rate.

Source of Data collection

Data for this study was sourced through the CBN statistical bulletin, National Bureau of Statistics report and Federal Inland Revenue Service Statistical report.

Instrument for Data Collection

The instrument of data collection for this study was extracted from the CBN statistical bulletin, National Bureau of Statistics report and Federal Inland Revenue Statistical report.

Method of Data Analysis

The data collected was analyzed using the descriptive statistics (mean score and standard deviation) Pearson correlation coefficient and multiple regression analysis within aid of Stata12 software.

Model Specification

To examine the implications of tax revenues on macroeconomics performance, this study follows the works of Ewa et al. (2020); Siyanbola et al. (2017) and Oboh et al. (2018), but with some improvements in terms of the measurement of tax and the adoption of a more encompassing measure of macroeconomics performance. The functional specifications of the models are provided as:

$$MEP = f(VAT)$$

Where:

MEP= Macroeconomic Performance (GDPR, EMPR and INFR)

VATR= Value Added Tax Revenue

Therefore, the model will be

$$GDPR_t = \beta_0 + \beta_1 VATR_t \dots (1)$$

$$EMPR_t = \beta_0 + \beta_1 VATR_t \dots (2)$$

$$INFR_t = \beta_0 + \beta_1 VATR_t \dots (3)$$

Where:

GDPR= Gross Domestic Product Growth

EMPR = Employment generation

INFR= Inflation rate

VATR= Value Added Tax Revenue

MEP= Macroeconomic Performance

TREV * TXR= Interaction variable

ϵ = Regression Constant

β_0 = Regression Coefficient

ϵ = Stochastic term

To make the data uniform to regress and analyses, Data were converted to natural logarithm (log) form as follows:

$$\ln GDPR_t = \beta_0 + \beta_1 \ln VATR_t \dots (5)$$

$$\ln EMPR_t = \beta_0 + \beta_1 \ln VATR_t \dots (6)$$

$$\ln INFR_t = \beta_0 + \beta_1 \ln VATR_t \dots (7)$$

$\ln GDPR$ = Natural log of Gross Domestic Product

$\ln EMPR$ = Natural log of Employment generation

$\ln INFR$ = Natural log of Inflation rate

$\ln VATR$ = Natural log of Value Added Tax Revenue

InMEP= Natural log of Macroeconomic Performance

Decision Rule

Accept H_0 : if the p-value of the independent variable is greater than 0.05. It is not significant.

Reject H_0 : if the p-value of the independent variable is less than 0.05. It is significant.

If the p-value of the independent variable is less than 0.05, then it means that the variable is significantly contributing to the variations in the dependent variable vice versa.

DATA PRESENTATION, ANALYSES AND DISCUSSION OF FINDINGS

Table 4.18 Summary of statistical results on the relationship between value added tax revenue and macroeconomic performance.

Hypotheses	Variables	Standardized Coefficient	T-Statistics	P-Value	Relationship	Decision
Ho1	VATR & GDP	69.48867	6.28	0.000	Significant	Rejected
Ho2	VATR & EMPR	.042602	4.90	0.000	Significant	Rejected
Ho3	VATR & INFR	.0076298	1.76	0.096	Insignificant	Accepted

Source: Extract from STATA version 12.

Discussion of Findings

Value Added Tax Revenue and Gross Domestic Product Growth in Nigeria.

The study revealed the existence of a positive and significant effect of value added tax revenue on gross domestic product growth in Nigeria (p-value= 0.000). This finding is in-line with the finding of Okoli et al. (2014) that revealed that a significant positive relationship exists between Taxation and economic growth in Nigeria. This finding may be as a result of the relevance value added tax as a vital source of government revenue that contributes immensely to economic growth...

This finding is in disagreement with the finding of Okafor (2012) that revealed no significant relationship between federally collected tax revenue and the GDP in Nigeria. This finding also disagrees with the finding of Acti and Abigail (2014) that revealed no significant relationship between Company Income Tax, Value Added Tax and Gross Domestic Product. Furthermore, Nkhalamo and Sheefeni (2017); and Lerato (2016) that concluded that there is no no long run relationship exists between tax and economic growth. This is supported by the finding of Nmesirionye et al. (2019) that concluded that value added tax has positive and insignificant impact on real gross domestic product of Nigeria.

Value Added Tax Revenue and Employment Generation in Nigeria

The study revealed the existence of a positive and significant effect of value added tax revenue on employment generation rate in Nigeria (p-value= 0.000). This finding is in line with the finding of Ogwuru and Agbaraevo (2017) that revealed that value added tax had a positive and significant relationship with economic growth. Furthermore, this study supported by the finding of Adegbite (2020) that concluded that value-added tax, education tax had a positive significant effect on the economic growth of West African countries. This finding is in contrast with the finding of Adeniran and Uguru (2020) that revealed that taxation had impacted positively on the growth of Nigerian economy. Also, this finding

further disagrees with the finding of Egbuhuzor and Tomquin (2021) that revealed revealed a negative and insignificant effect of value-added tax on economic performance.

Value Added Tax Revenue and Inflation Rate in Nigeria.

The study revealed there is positive and insignificant effect of value added tax revenue on inflation rate in Nigeria (p-value= 0. 096). This finding is supported by the finding of Idris and Bakar (2017) that concluded that Nigeria's current inflationary trend negatively affects sustainable growth and development, meaning that one of the requirements for reaching the desired growth level in Nigeria is to control the excessive increase in the inflation rate. This finding disagrees with the finding of Amah (2021) that revealed that the relationship between Value Added Tax and Gross Domestic Product is negative.

SUMMARY, CONCLUSION, RECOMMENDATIONS AND CONTRIBUTION TO SCHOLARSHIP

Summary

This study examined the effect of value added tax revenue on macroeconomic performance in Nigeria. GDP growth, employment generation and inflation rate were used as indicators of macroeconomic performance. While the aim of this study highlights the broad objective set out to achieve by this study, the specific objectives outline the specific courses of action undertaken in this study. The testable hypotheses with the specific objectives were shown. The theoretical review offered insights into the underlying theories for this study whereas the empirical literature review was devoted to the review of the previous related studies to gain insights into the effects of value added tax revenue on macroeconomic in Nigeria.

Conclusion

Achieving the macroeconomic objectives of rapid and sustainable growth, price stability and full employment through fiscal sustainability has continued to dominate policy goals in Nigeria. There is a need to establish an adequate and efficient value added tax system for improved revenue generation and a sustainable economic growth. Thus, this study deepens the understanding of the effects of value added tax revenue on macroeconomic performance with a focus on GDP growth, price stability and employment generation in the country. This affirms the stabilization role of value added tax revenue in boosting financial sustainability and creating a roadmap for sustainable growth and job creation. Onowu JU (2024) identified value added tax revenue as the most important financial source for governmental public expenditures. Hence, large proportions of fiscal responsibilities of the government are met through revenues mobilized from various tax sources. Agunbiade and Idebi (2020) asserts that tax revenue represents an important tool of fiscal policy used by the government to manage the economy of the state.

Oyebanji and Oyebanji (2017) equally underscores the rationale for taxation to include raising money through public revenue generation and other legitimate functions of the government from taxes on incomes, goods, services, and properties of an individual and corporate body. The findings of this study also affirms the relevance of value added tax revenue on gross domestic product growth and employment generation.

Recommendations

The policy recommendations proffered for this study which are premised on the findings are as follows:

1. Policymakers in the Nigeria should broaden the tax base to attract more revenue to enhance the positive contributions of tax revenue to macroeconomic stability.
2. The government should utilize revenue generated from value added tax in the creation of business friendly environment that would attract direct foreign investments and resource mobilization for productive actives (establishment of industries and its value chain entities) to create employment opportunities for Nigerians.
3. Policy makers should promote an efficient and automated tax administration designed to prevent revenue leakages and improve tax buoyancy and overall macroeconomics performance.

Contributions to Scholarship

1. The Study has enrichen the body of literature by using the Tado Yammato causality test to explain the direction of influence of value added tax revenue and measures of macroeconomic performance (GDPR, Employment generation and Inflation rate) respectively in Nigeria.
2. The study measured the effect of value added tax revenue on GDP growth, employment generation and price stability from the year 2000 to 2024. This filled the existing gap in previous studies that limit their content scope to only GDP (Hongo et al (2020); Folawepo &Adeboje (2017), unemployment (Demire (2020); Tsaurai (2020); Whajah et al (2019) and Inflation (Gbadebo &Mohammed (2015), Attamah (2019). The Study covered a broader dimensions of macroeconomic in Nigeria.
3. The study period covered from 2000 to 2024 far exceed existing studies as it provides empirical evidence to assess the effect of tax revenue on GDP growth, employment and price stability in Nigeria.

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