

**IMPACT OF TAX REFORMS ON REVENUE GENERATION AND ECONOMIC
GROWTH IN NIGERIA**

BY

**ADUBI AKINDELE OLUBUKOLA
(MAT. NO: 15PAA00885)**

MAY, 2017

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**A DISSERTATION IN THE DEPARTMENT OF ACCOUNTING SUBMITTED
TO THE SCHOOL OF POSTGRADUATE STUDIES, COVENANT
UNIVERSITY, OTA, OGUN STATE
IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF
THE DEGREE OF MASTERS (M. Sc) IN ACCOUNTING**

MAY, 2017

DECLARATION

I, Adubi, Akindele Olubukola hereby declare that this M. Sc Dissertation is based on a study undertaken by me in the Department of Accounting, College of Development Studies, Covenant University, Ota.

To the best of my knowledge, the work presented in this dissertation is original except as acknowledged in the text. All sources used in the study have been cited and no attempt has been made to project the contributions of others as my own. Also, the material has not been submitted, either in whole or in part for a degree in this or any other University.

Adubi Akindele Olubukola Signature & Date:

CERTIFICATION

This is to certify that this study is an original research work carried out by Adubi Akindele Olubukola of the Department of Accounting, College of Development Studies, Covenant University, Ota, as per declaration.

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Signature & Date

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External Examiner

Signature & Date

DEDICATION

This study is dedicated to my wonderful parents Pa and Deaconess S.A. ADUBI for their immeasurable contributions to my life.

ACKNOWLEDGEMENT

I am most grateful to the Almighty God, the source of all good things for the gift of life, health, grace, favour and divine provisions that has sustained me so far in my eandevours. I cannot thank him enough so I join the Psalmist to say “I will bless the Lord at all times, his praise shall continually be in my mouth”

I wish to express my gratitude to my supervisor, Dr Samuel Fakile for his contributions and understanding in the course of doing this project.

I wish to say a big thank you to the two Head of Department during whose tenure I undertook this M.sc Programme, Dr. Uwuigbe Uwalomwa and Dr. (Mrs) Uwuigbe Olubukunola Ranti for leadership and understanding. I also thank my Lecturers in the Department of Accounting for imparting knowledge. They include, Dr. Dick Mukoro, Dr. (Mrs) Adetula Dorcas, Dr. Fakile Adeniran, Dr. (Mrs) Obigbemi Imoleayo, Dr. Adeyemo Kingsley, Dr. Ben-Caleb Egbibe, Dr Faboyede Olusola, Miss. Nwobu Obiamaka, Mr. Efobi Uchenna, Mr. Ajayi Anjiesushola, Mr. Olusanmi Olamide, Miss Okougbo Peace, Mrs Ezenwoke Omotola, Mrs. Oluseyi Oyedayo, Mrs Owolabi Folashade and others in the Finance Department of Covenant University.

I must at this juncture render my appreciation to my precious wife Adubi Beatrice and my children, Ireoluwa, Aanuoluwa, Mojolaoluwa, Oluwafibiyemi, Ebunoluwa and Kemi for their support and understanding in course of this pursuit.

I will forever be grateful to my parents, Pa and Deaconess S.A. Adubi for all they have gone through to provide for me, for encouragement, prayers, care and concern about my well-being even up till now, I pray God will satisfy you with long life to enjoy the fruits of your labour on me and my wonderful siblings, Muyiwa, Akinsanya, Bola, Akintayo and Lola.

Finally, special thanks to my office colleagues, classmates and all those who have contributed to my pursuit of this programme, I say God bless you all.

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ABSTRACT

Tax reforms in developing countries is a fiscal instrument to diminish reliance on foreign sources by raising satisfactory tax revenues to finance government expenditures with a view to achieving sustainable economic growth over the long run. Despite the major tax reforms embarked upon in Nigeria, there have been criticisms over their inability to attain the objective of revenue mobilization. This study examines the effects of 2004 tax reform on revenue generation and in turn leads to economic growth in Nigeria. This study adopts time series design by obtained data from the Central Bank of Nigeria statistical bulletin, Federal Inland Revenue Service statistics and national bureau of statistics (NBS). Data on various tax revenues and non-tax revenue, economic growth and investment level spanning 1981- 2015 was used in this study. Preliminary analysis was conducted using the Augmented Dickey Fuller (ADF) and Philip-Perron unit root tests, Philips-Ouliaris and Engle-Granger co-integration tests. The study adopted the Fully Modified Least Squares Regression Technique to investigate the effect of the 2004 tax reform on revenue generation in Nigeria and the effect of revenue generation on Nigeria's economy growth. Findings revealed that tax revenue and non-tax revenue generated after the 2004 tax reform has statistical significant impact on total revenue generation in Nigeria. The results further showed that Customs and excise duties, company income tax, education tax, petroleum profit tax, value added tax and non-tax revenue clearly have significant impact on Nigeria economy growth, while investment does not have significant impact on Nigeria economy growth at 5% significant level. It can be concluded that the 2004 tax reform have had significant long run effect on revenue generation in Nigeria and also non-tax revenue and the set of tax revenues have had reasonably significant effects on economic growth in Nigeria. The study recommends that the future tax reforms to be embarked upon should be tailored towards broadening the tax base, specifically by capturing and bringing the informal sector into the tax net, and the proceeds from these varying taxes should be judiciously used with serious

government commitment to enhance public expenditure and to achieve macro-economic stability in Nigeria.

Key words: Tax Reforms, co-integration, economic growth, revenue mobilisation