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Effect of Value Added Tax on Nigeria Economic Development

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Abstract

This paper examined value added tax (VAT) and economic development in Nigeria; specifically examining the effect of VAT on government revenue and economic development as proxied by Gross Domestic Product (GDP). The study used ex-post facto research design; while data were sourced from CBN Statistical Bulletin from 2012 to 2019. Data collected were analyzed using ordinary least square (OLS) regression. The findings of the study revealed that VAT significantly affects total revenue of government and it equally affect economic development. The study recommends that there should be improved VAT collection machinery to improve revenue of government while the amount collected should be invested in productive sector of economy to enhance economic development of Nigeria.

Keywords: *Value added tax, government revenue, gross domestic product, economic development, Nigeria.*

1. Introduction

Taxation is the one of the major sources of Government revenue. These revenues are expended on capital expenditure and expenditure. This capital expenditure in turn stimulates economic development. The importance of taxation came not only from all revenue generation but because of the serious problems of heavy tax burden it imposes to the payer in this present day (Greene, 2011). The main goal of taxation is to increase the revenue base of a nation and stimulate economic development. A high-level taxation is necessary in welfare state to fulfill its obligations. Musgrave (2008) opined that taxation was seen as avenue of achieving some level of social objectives by way of equal redistribution of wealth. Nigeria government does not only need taxation for the purpose of increasing its revenue base that is required to meet its continuing growing expenditure level on administration and social services but to also reduce the inequalities of income and wealth. Taxation is used to control the money that would have been in circulation and cause inflation and improving purchasing power leading to increase in saving and investment.

The main attention of most countries in the world is to focus on how to achieve rapid economic development through the collection of tax and increased their revenue base. For this objective to be achieved, some of developing countries, selectively introduced new forms of taxes to boost their revenue capacity with the aim of improving the socio-economic condition of their citizens and achieving fast economic development of those countries (Lorun,2012). One of such forms of taxation is (VAT).

VAT came as a result of tax reform of 1993 which result in VAT Decree 1993 which became effective in 1994. It's a consumption Tax on Vatable goods and services. VAT has contributed to increase in tax revenue and expected to have contributed to economic development which is the subject of this study. In Nigeria, VAT is a source of revenue generation, it records for about 4.06%, 5.93% and 5.1% of the total revenue generated in the year 1994, 1995 and 2008 respectively and has played a major role in the development of nation's economy since its implementation till date (Adereti & Sanni, 2011; Umeora, 2013).

Economic Development has been described as a well-structured and articulated policies intervention aimed at building the economic and social wellbeing of citizens of a country. It is consistent economic development with improved infrastructural facilities and standard of living. Essentially it leads to transformation of an economy from a growth to industrialized (kinle-berger & Herrick, 2001). Economic Development is deeps and broader than Economic Growth. Economic Growth is increased in nation's output over time, this increase except it leads to improvement of standard of living of the citizens of the country, it's never translated into economic development. Increase in VAT should be as a result of increase in economic activities of a nation sequence to economic transformation of a nation. On the other hand, increase in VAT should lead to increase in tax revenue available for government to finance its capital expenditure and consequently lead to economic development of a nation. These shows that there is a linkage between VAT and Economic Development. This study was undertaken to examine the linkage between VAT and economic development.

1.1 Statement of problem

Nigerian has been more of a micro economy with her heavy reliance on oil revenue consequently, changes in volatile oil process send shock which's to Nigerian economy. This development led to series of tax reforms aimed at diversifying Nigerian economy. One of such reforms lead to the introduction of VAT in Nigeria. VAT is expected to improve the revenue drive of the government and improve economic development of nation.

Previous studies indicated that VAT contribute moderately to government revenue (Onwuchka &Aruwa, 2014, Okoli &Mathew 2015.) with the present government tax, revenue drive has the situation changed. In the same vein, previous studies of effect of VAT on economic development produces mixed results. some found out it was not significant (Yadirichukwu & Ebiringa, 2012; Izedonmi & Okunbor 2014). While Okoli & Mathew (2015) found out that VAT does not granger cause GDP of Nigeria, On the other hand some studies found out that VAT significantly contribute to GDP of Nigeria (Ugochukwu & Azubuike, 2016; Bakare, 2013; Mieseigha & Ihenyen, 2014; Asogwa & Nkolika, 2013; Okwu & Owolabi, 2011). Olatunji (2009) conducted a study on the effectiveness of the administration of VAT in improving government revenue and boosting economic growth in Nigeria. It used simple percentage and chi-square to analyze the data. The study showed a positive correlation between VAT and GDP.

Hence the need to establish current situation going by the present administration tax reforms policy aimed at improving tax revenue and subsequently economic development.

1.2 Objective of the study

The broad objective of the study is to examine value added tax (VAT) and economic development in Nigeria. Specifically, the objectives of the study are to:

i. examine the effect of value added tax (VAT) on government capital expenditure.
ii. appraise the effect of Value Added Tax (VAT) on economic development of Nigeria

1.3 Research Questions

i. What extent does VAT affect government revenue?
ii. To what extent does VAT affect Nigeria Economic Development?

2. Literature Review

2.1 Conceptual Review

Beckley (2005) defined VAT as tax charged at each stage of production on the value added of firms. Tax is a compulsory payment made by individual and firm to the government accounting from various essential goods and services provided by people, (Onwucheka&Aruwa,2014) Anyanwu, (1997). Tax is a compulsory levy charged on individuals and goods and services by the government in order to increase revenue base for its day-to-day responsibilities & to elevate social equity through the income redistribution.

VAT is totally a consumption tax charged when purchase goods or services. In the business, VAT play a key role to development of a firm and can be charge at every stage of production cycle of goods and services. VAT is called goods and services tax, in Canada, it's a tax which is charged at each production stages ranging from labour and raw materials to the finished point of product. (Onuwcheka & Aruwa, 2014): VAT is being charged which resulted from each level of production. VAT is indirect taxation collected from some point not other than the person who actually purchases the finished goods or rendered services (Ochei, 2010).

VAT was propounded by a French economist, Maurice Laure in 1954 (Aruwa & Onwucheka, 2014). Since them the tax system has been adopted by several other countries. In Nigeria, every person, whether residing or nonresidents in Nigeria, that is selling goods or renders services in Nigeria under the VAT Act (as amended) is required to register for VAT within six months of its commencement of business in Nigeria. Federal Inland Revenue Services (FIRS) is the agency of the government with the mandate to register company in Nigeria with the address of the company for the purpose of correspondence with FIRS and for compliance with the VAT law. Non-Nigerian resident person or firm immediately after its VAT registration is mandated to include 7.5% to its invoice and direct the VAT receiver of goods and services to remit VAT to federal government on behalf of non-Nigerian resident person. (Onwucheka & Aruwam 2014; Olatunji, 2009.). VAT is a consumption taxation which was designed to private consumers of taxable goods and services. It's implies in multi stages whenever goods and service are supplied by producer. VAT used input-output method, charged on value added (created) in nation. As an indirect tax, VAT is unavoidable and eliminate tax evasion and lead to growth in revenue profile of government.

2.1.2 Economic Development in Nigeria

Economic development and growth have been used interchangeably despite the slight differences between two concepts, according to Organization for Economic Co-Operation and Development (OECD), economic development is a deliberate policy intervention aiming to build the economic and social well-being of citizenries. Economic development is a process designed to promote economically the well-being and quality of life of a community by building local wealth, diversifying the economy, creating and retaining jobs, and building the local tax base. Economic development is more brooding in such that it includes growth together with improvement in well-being, such as eradication of poverty and illiteracy, disease and early death, changes in composition of input and output, that generally includes shift in the underlying structure of an economy away from agriculture or production of raw material towards industrial sector and institutional transformation of economy (Kindle-Berger & Herick 2001.

Therefore, no matter the differences, what is the important is that there is no development without growth (King & Levine 1993.) GDP is use as a proxy for economic development and growth, Gross Domestic Product (GDP) is defined as total value of everything produced within the country's border normally within a year.

GDP = C + 1 + G + (X-M), C = Personal consumption expenditure, I = Investment, G = government spending, X = Expert, M = Income

Anyanwu and Oaikhenan (1995) defined economic growth as the increase in the overtime of an economy's capacity to produce those goods and services needed to improve the wellbeing of the citizen in their increasing number and diversity, it's seen as a sustained increase in the per capital income over a period of time (Claus-2001,) Economic development is defined in accordance with OECD as increase in a nation's total output over a long period of time. Al-faki (2006), measure economic growth is represented by the total number of goods and services produced by a nation. Todaro and Smith, (2006). Measure economic growth as increase per capital income of a nation. Osamwonyi (2005) give an insight on economic growth as the rates of expansion of national income or total volume of production of goods and services of a country. Nation can achieve both economic development and economic growth through the implementation of tax policies such as value added tax (VAT), from the above its obvious that economic development entails economic growth together with improvement I wellbeing of the citizens of the country

2.1.3 VAT and Economic Development

VAT and economic development and growth have been examined empirically in both developed and developing countries by several studies. The result of studies by Unegbu and Iretin (2011) proved that VAT has significant impact on economic development, similarly studies have shown that VAT has positive effect on nation's economic growth and development, such as infrastructural, health, education services (Owolabi & Okwu 2011). Teera (2003) study on the assessment of the possible increase in tax revenue through VAT in Uganda, relative to 180 sub-Saharan countries noted that VAT contributes greatly to the total tax collection and country's economic development and growth in chose countries.

Ajakaiye, 2000 posit that VAT has become highly major contributor to total government revenue in funding of recent expenditure and capital projects. Olaoye (2009) Opines that the administration of VAT in Nigeria is direct towards its objective of improving government revenue generation in order to provide for infrastructural development towards stimulating the economy growth and development.

Similarly, view, VAT being very important tool for government revenue generation to enhance economic development and growth among both developed and developing countries were expressed by the following scholars. Heocha, (2010,) owolabi & okwu, (2011,) unegbu and iretin, (2011). Michael and ben (2007). Examined the cause and consequences of VAT. A panel study of 143 countries for 25 years were observed. The result showed the level of significant of VAT and mixed impact, which means that some countries would have achieved revenue from the adoption of VAT which increased the overall revenue to GDP about 4.5%, however allowing the impact of VAT vary with country need that will change the effect to become negative though performing in the opposite direction are gains that tend to greater in higher income and in more open economics.

Denis, (2010) investigate the relationship between VAT and GDP in Nigeria. The study showed that VAT is not as effective as revenue earner, this means that significant parts of GDP which represent total national income as well as total national expenditure are not collected as tax. In Pakistan, Saeed, Ahmed, Iqbal and Zamn, (2012) analyzed the revenue effect of VAT in the South Asian Association for Regional Co-operation (SAARC) region panel data SAARC Countries from 1995 to 2010, various macro-economic factors were obtained to determine the effect of VAT on revenue level. The result indicates prosperous set of determinants of VAT adoption as it proves to be a vital instrument to collect tax and increase/improve revenue level. The results show that most of the SAARC countries that adopted VAT promote their GDP to revenue level. At the same time Zaman, Okasha and Iqbal (2012) studied the impact of VAT in Pakistan economy using household survey data to study the effect of VAT on social and economic life of the populace. Results showed that VAT would affects economic order of the society, Salti and Chaboan (2010) studies the effect of increasing rate of VAT by targeting poverty and inequality.

Adereti, Sana and Adesina (2011) studied contribution of VAT to GDP` in Nigeria, in their study, they find out that VAT revenue to total tax revenue is at 12.4% average which they considered as low compared to other African countries such as ivory coast, Kenya and Senegal that had 30%,the study observed a positive and growth platform of VAT in European union (UN) countries to ascertain whether the implementation of VAT has led to an increase in the overall tax burden using ordinary least square (OLS) and secuninly unrelated regression (SUR).they found that VAT has often bean disapproved as it said to be money making machine for government and decreasing tax, the results enumerated that VAT can be put into practice without necessarily becoming money making machines for government and they submit that EU countries used VAT to substitute a number of indirect taxes and not to boast overall tax Borden.

2.2 Theoretical Review

The theoretical foundation of this study centers on the endogenous development model. The endogenous development model was propounded by Barro from New York (1990), Sala-i-Martin and Barro, (1992) said that fiscal policy from causality running the economic development have both positive and negative effects. The theory on fiscal policy predicted that non-distortionary taxes will have a positive effect at long run development whereas distortionary taxation will have a negative effect. One of the main reasons for levying on consumption of goods and service rather than income is that, it the duo were excluded from savings and capital income from tax base and therefore, increases household savings and thereby leading to more capital and higher economic development, (Musgrave,1989).

2.3 Empirical Review

Mukolu and Ogodor, (2021) in their study examine how VAT impacted economic development of Nigeria between the period of 1994-2018.Data were collected from CBN statistical bulletin. The research design used for this study were Augmented Dicker fuller test to analyze the data. The result indicated VAT had a positive significant effect on the economic development (GDP) in Nigeria.Findings show that VAT had a positive and significantly impacted total revenue in Nigeria which enhance country economic development. The total revenue increment within the period had also significant impact on the economic development which is proxy by GDP.

Tajudeen and Felix. (2020) examine VAT revenue and it effect on imported goods from 1994 to 2018 in Nigeria. This study also investigates the direction of causality VAT revenue, imported goods, exchange rate, interest rate and inflation rate. the research design used were, VECM, Granger causality, and Johansen co-integration tests to analyses the data. The Results indicated that import (LOGIMPORT) had positive significant effect on VAT revenue both in the long run (LOGVAT) and in the short run. Also, exchange rate and inflation rate have influence on VAT revenue and positive insignificant also; there is existing bi-directional causality between VAT revenue and goods imported. IMPORT granger- cause VAT, VAT granger-cause IMPORT.

Omondi (2019) in their study effect of VAT and economic development in Kenya for the period of 1973 to 2010. The econometric exposition was used to determine the correlation between the various variable. OLS was employed to measure the model. The result shows a positive significant correlation between VAT and economic development of Kenya. A positive insignificant relationship between VAT revenue and GDP.

Immoino, Otubu and Akpan (2018) study the VAT and economic development in Nigeria from 1994 to 2015. The co-integration and ECM were used as the analytical tools. The co-integration result revealed that long run regression exist between the VAT and Economic Development. The parsimonious Error correlation revealed that VAT, exchange rate, and interest rate has a significant effect on economic development in Nigeria within the period of the study. Private investment does not have a significant correlation with the economic development in Nigeria within the period of the study. The coefficient of parsimonious ECM showed the sign that is negative with statistically significant. The study concluded that VAT revenue affect economic development in Nigeria within the period of the study positively.

Teki (2017) examine the effect of VAT on economic development in Kosovo. Descriptive analysis was used as a research design to analyze the VAT data collected in Kosovo between 2005 to 2015. Analytical techniques were used to study the direction and nature of data collection over the period. The two analytical techniques used were; one is descriptive analysis and two is econometric techniques (OLS) were used to measure the effect of VAT on economic development in Kosovo. The coefficient indicates that VAT has an impact on GDP in Kosovo as the significant level is at .000 or includes of 1% rate. The relationship between VAT and GDP proved a strong positive relationship, that is VAT has a significant influence on economic development in Kosovo.

Seyed and Zaleha (2016) examine the effect of VAT on economic development of 19 developing nations between the period of 1995 to 2010. The GMM panel was used based on the nature of model. The effect of VAT based on the savings of accumulated capital, productivity and importantly the economic development was studied, the result indicated that VAT has a negative effect on accumulated capital development in the level and positively affected VAT on the other level of economic development that is increasing in savings affect accumulated capital.

Adegbie, Jayeoba & Kwabai (2016) examined the effect of VAT on Nigerian Economy development between its introduction to date, in order to determine the importance of its reform. *Ex-post facto* research design was employed while descriptive and analytical research method were used for the study. VAT and GDP's Data were collected between the period of 1994 to 2015. The results show perfect positive correlation between VAT and GDP.

Ugochukwu and Azuibike (2016) examine the effect of tax policy on Economic Growth in Nigeria. The study used annual time series data of 20 years from 1994-2013. OLS regression analysis was adopted to estimate the relationship between the dependent and independent variables. The findings revealed that tax have a significant effect on the economic growth of Nigeria. It also revealed that the proportion of indirect to total tax have increased over the years.

Njoku (2015) examine the effects of indirect taxes on economic growth of Nigeria, time series were employed to analyze data between 1981 to 2014. Data collected from secondary sources, were analyzed and tested for stationarity, using the Augmented Dickey-Fuller test. The (PPT) Petroleum Profit Tax, (CED) Custom and Excise Duties and (VAT) Value Added Tax were stationary at second difference level and RGDP was stationary at other level.

Okoli and Matthew (2015) examined the extent to which VAT has contributed to Nigeria's total federally collected revenue and its position among the other tax components using data spanning the period 1994-2012. Adopting the Error Correction Model (ECM) for the analysis, the findings revealed that VAT was the second-long term source of the total federally collected revenue.

Chigbu (2014) examined how does value added tax impacted the economic growth of Nigeria. The researcher used relevant secondary data from for the period 1994-2012. Breusch-Godfrey Serial Correlation LM was used to analyzed the collected Data with the relevant econometric tests, Heteroscedasticity and Ramsey rest, JarqueBera, Johansen Co-integration, and Granger Causality. The findings showed the equilibrium correlation between economic growth and VAT and also found that VAT does granger cause GDP of Nigeria.

Izedonmi and Okunbor (2014) empirically investigated the effects of VAT to Nigeria economy development. Time series data were used on GDP, VAT Revenue, Total (Federal Government) Revenue and Total Tax Revenue from 1994 to 2010. The data were analyzed using the econometric methodology of multiple regression technique. Their findings showed that VAT Revenue accounted for 92% significant variations in Nigeria's GDP. It revealed a positive but insignificant correlation between VAT Revenue and GDP.

Onwuchekwa and Aruwa (2014) examined the impact of VAT on economic growth of Nigeria. Ordinary least square technique was used to analyzed the hypothesis of the research with the data from the period of 1994 to 2011. The result revealed that Value Added Tax contributes reasonable to the accumulated tax revenue of government and by extension, to economic growth of Nigeria. It further showed that VAT revenue had consistently increasing but not seriously explosive.

Mieseigha and Ihenyen (2014) examined tax as a financial tool for economic growth using data sources from the CBN for the period 1980-2013. Both corporate income tax and VAT were used as an independent variable and economic growth proxy by (GDP), the dependent variable. The study employed Ordinary Least Square technique (OLS), and the results showed that value-added tax and corporate income tax impacted positively on GDP. Therefore, they concluded that taxation is `a tools of economic growth in Nigeria.

Edame and Okoi (2014) examined the impact of tax to the economic development and investment in Nigeria, using data ranging from 1980-2010. They collected data on corporate income tax, personal income tax and gross domestic product as variables were sourced from CBN statistical Bulletin and the National Bureau of Statistics. They defined three regression models, investment, Gross domestic product and government expenditure models, and employed multiple regression technique to analysis the study data. Bakare (2013) investigated the impact of VAT on output growth in Nigeria. The study used the ordinary least square (OLS) regression technique. The result showed a positive and significant correlation between VAT and output growth in Nigeria. The results of the findings from this work also showed that the past values of VAT can be used to focus the future behavior of output growth in Nigeria. Major conclusion of this study showed that VAT could have the potential to contributed into the diversification of sources revenue and make availability of funds for economic growth and development which will reducing over dependent of oil revenue.

Asogwa and Nkolika (2013) examined the impact of value added tax on investment growth in Nigeria. Time series data on investment, government expenditure, real exchange rate, real interest rate and trade openness from the central bank of Nigeria statistical Bulletin (CBN) were analyzed, using multiple regression analysis. The results showed that Value Added Tax has significant effect on investment growth in Nigeria.

Yadirichukwu and Ebiringa (2012) examined empirically, the effect of various forms of tax on the economic growth of Nigeria. Secondary data was utilized within the periods of 1985-2011, and the econometric technique adopted were OLS regression and Granger causality technique The result showed that among the determinant factor of economic growth in the country through tax, only custom and exercise duties are capable of influencing growth, and have significantly inverse relationship with the GDP.

Okwu & Owolabi (2011) examined the level at which VAT contribution to Lagos State Economic Development. This includes environmental management, infrastructural development, youth and social development, agricultural sector development, education sector development, transportation sector development and health sector development. The findings revealed that VAT has contributed meaningful to the development of affirmed sectors. Therefore, the meaningful contribution has a statistically significant only to agricultural sector development.

3. Data and Methods

The study utilizes the *ex-post facto* research design; this is because the study used data from secondary sources and data obtained without any form of manipulations through CBN Statistical bulletin from 2012 to 2019. The base year of 2012 was selected because of the feasibility and high level of significant improvement of economic development in Nigeria within the base year, through Value Added Tax. The Data was collected through CBN Statistical bulletin from 2012 to 2019. In order to analyze the data generated for the study, descriptive statistics and multiple regression analysis were employed. The descriptive statistics shows the Coefficient, Standard. Error, t-Statistic and Probability values including observations; tests were also conducted to examine the viability and reliability of data gathered before regression was done. Statistical tool utilized is OLS technique (Multiple Regression models).

Based on the objective of the study and theoretical framework, the model adapted from the works of Adereti *et.al* (2011) and Yadirichukwu & Ebiringa (2012) in Omoniyi, & Ali (2018) and is specified as follows:

VAT=f (*ECOD*, TORE, VATCOF)

Operational model

$VATCOF = \beta_0 + \beta_1\, ECOD_t + \beta_2\, TORE_t + e_t$ …………………………… *equation 1*

Where:

VAT = Value added tax

β0 = Intercept

β1- β2 = Coefficient of the dependent variables

TORE = Total actual revenue and Value added tax

COFVAT = Coefficient of Value added tax

ECOD = Economic development proxy by GDP

μ = Error term

it = ‘i’ in period ‘t’

The a priori expectation based on literatures reviewed and theories are as follows, $\beta_1 > 0$, $\beta_2 > 0$, $\beta_3 > 0$.

4. Data analysis and discussion of findings

4.1 Descriptive Statistics

Table 1: Descriptive Analysis table

YRS	VAT	Exp	VATExp	EcoDev.(GDP)	TORE
	₦ 000	₦ 000	₦ 000	₦ 000	₦ 000
2012	238.55	4,605.39	4843.94	71,713.94	10,654.75
2013	267.32	5,185.32	5452.64	80,092.06	9,759.79
2014	266.86	4,587.39	4854.25	89,043.62	10,068.85
2015	261.65	4,988.86	5250.51	94,144.96	6,912.50
2016	272.49	5,858.56	6131.05	101,489.49	5,616.40
2017	325.13	6,456.70	6781.83	113,711.63	7,445.00
2018	366.29	7,813.74	8180.03	127,736.83	9,551.80
2019	195.11	9,714.84	9909.95	144,210.49	10,262.26

Source: Author’s Computation (2020)

4.2 VAT and economic development

Table.2 represents the growth effect of both total actual revenue and Value Added Tax (VAT) in Nigeria. The coefficients of total actual revenue (TORE) and Value Added Tax (VAT) were found statistically significant at1percent as indicated by their probability values of 0.0004 and 0.0001. The Coefficients of total Actual Revenue (TORE) and Value Added Tax (VAT) were found to have significantly and positively affected economic development.

this is consistent with the theoretical expectation of this study. This result, therefore, implied that as total actual revenue (TORE) and value added tax (VAT) increases by one-naira economic growth of country raises by 0.4343 naira and 0.9139 respectively as shown in table 1. This further implies that VAT has much more positive effect to economic growth (EXPD) in Nigeria than total actual revenue (TORE). The F-statistics 88.88904, which measured the joint significance of the parameter estimates, was found statistically significant at 1percent level as indicated by the corresponding probability value of 0.000000.

This implies that all the variables of the model were statistically and jointly significant affected economic growth proxy by total actual expenditure of country. This result indicated that both total actual revenue and value added tax affects economic growth of country, which if properly control may translate to improvement in welfare of the people of the state. The R^2 value of 0.9417 (94.17%) implied that 94.17 percent total variation in economic growth of Nigeria was explained jointly by total actual revenue and value added tax in Nigeria. This further confirmed that economic development of Nigeria was significantly explained by Total Actual Revenue (TORE) and Value Added Tax (VAT). Coincidently, the goodness off it of the regression remained very high after adjusting. For the degree of freedom as indicated by the adjusted R^2(R^2=0.9311or 93.11%). The Durbin-Watson statistics 2.172813 was observed to be greater than R^2 0.9417 indicating that the model is non-spurious (meaningful) and can be used for policy purpose. Durbin-Watson statistics value 2.172813 showed there was absence of auto correlation among the error value thus making it possible to use the result of this study for policy purpose.

Given the T-Statistic value of VAT in Table.2 of 46.358157 showed that value added tax (VAT) was statistically significant at 1percent as indicated by the probability values of 0.0001inTable.2. This implies that value added tax (VAT) has significant relationship with the country revenue and was impacting significantly on economic growth and development of the state. The F-statistic values in Table.2 signifies that total actual revenue and value added tax were jointly and significantly affecting economic growth and development of Nigeria at 1 percent as indicated by the probability value of 0. 000000.

The null hypothesis (Ho) above was rejected at 1% level. In conclusion, therefore, both total actual revenue and value added tax have significant effect on economic growth and development of Nigeria: there was a positive and significant relationship between VAT and economic development of country and total actual revenue and value added tax during the years under review, suggesting that increase in actual total revenue increase the rate of economic growth in the country. There was a positive and significant relationship between economic development and growth of Nigeria during the years under review as indicated by the results, suggesting that increase in value added tax increases economic growth of the country. This result is consistent with the *apriori* expectation of the study. There was an insignificant positive intercept, suggesting that other exogenous variables apart from actual total revenue and value added tax exact insignificant impact on the economic growth of Nigeria. The existence of the intercept confirmed the Keynesian position that growth of the economy proxy by GDP has autonomous component. Finally, the null hypothesis that there is no significant relationship between VAT and country expenditure as well as the null hypothesis that VAT has not impacted significantly on economic growth and development of Nigeria was rejected; hence, this study found that VAT is significantly related to actual total expenditure and also impacted significantly on economic growth and development of Nigeria for the period under review.

Table 2: Regression Result

Variable	Coefficient	Std.Error	t-Statistic	Prob.
C	1.02E+09		0.322141	0.7534
TORE	0.434245	0.087922	4.939005	0.0004
VAT	5.913931	0.930133	6.358157	0.0001
R-squared	0.941731			3.64E+10
Adjusted R-squared	0.931136	S.D.dependentvar		2.44E+10
S.E.of regression	6.40E+09	Akaikeinfocriterion		48.18480
Sum squared resid	4.51E+20	Schwarzcriterion		48.32174
Loglikelihood	-334.2936	Hannan-Quinncriter.		48.17213
F-statistic	88.88904	Durbin-Watsonstat		2.172813
Prob(F-statistic)	0.000000			

Source: Author's Computation (2019)

5. Conclusion and Recommendations

The study was conducted to investigate Value Added Tax (VAT) and economic development in Nigeria from 2012 to 2019. The results of OLS showed that increasing in total actual revenue and VAT increased economic development in Nigeria. The coefficient of total actual revenue and VAT were statistically significant and in line with the theoretical expectation. The F-statistics values in all models of this study indicated that total actual revenue and VAT were significantly affected economic development at 1percent significant level. It can be concluded that Nigeria economic development and growth was highly sustainable to change in VAT than change in total actual revenue. The study found out that: First, VAT enhance total government revenue, this implies that a robust VAT regime and collection can diversify Nigeria government revenue. Policy on VAT inform of reforms to improve collection machinery will improve government revenue. Secondly, VAT has a significant effect on economic development in Nigeria, this implies that improvement in tax revenue with proper productive investment will stimulate Nigeria economic development.

This study recommend that more attention must be directed towards improving VAT collection in order to enhance revenue profile of government. It equally recommends that government should improve VAT administrative machinery to improve tax collection machinery and amount so collected should be invested in productive project in order to enhance economic development.

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