IJAAR PUBLISHING®

Research Journal of Management Practice | ISSN: 2782-7674
Vol. 5, Issue 10 (2025) | www.ijaar.org/rjmp

Tax Revenue Diversification and Economic Growth in Nigeria

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Abstract

The research explored the effect of Tax revenue diversification on the Nigerian economy. The objectives of the study were to examine how the National Information Technology Development Funds, stamp duty, education tax, and capital gains tax affect Nigeria's economy as measured by GDP growth rate. Secondary data from Central bank of Nigeria Statistical Bulletin and Federal Inland Revenue Services annual reports from 2009 to 2024 was used for the analysis. Vector Autoregressive (VAR) model was used to analyze the data and the result of the analysis indicates that tax revenue diversification had insignificant effect on GDPR. Furthermore, the overdependence on oil and poor tax administration can hinder Nigeria's ability to mobilize enough revenue to drive growth and development in the country. The study, therefore, concludes that there is an urgent need for Nigeria to continue to diversify its tax base and effective tax administration, compliance, and revenue utilization to improve the country's revenue and reduce overdependence on oil revenue. The study, therefore, recommends that Nigeria should find ways to diversify its sources of revenue other than oil. It should also strengthen its tax institutions by innovating technology that will block all leakages, work more on improving compliance through better enforcement and public sensitization. Furthermore, there is also the need for revenue accountability through a transparent, prudent, and efficient use of tax proceeds.

Keywords: Tax diversification and economic growth

Chukwu, K. O., Akunna, C. R. & Ibechiole, O. C. (2025). Tax Revenue Diversification and Economic Growth in Nigeria. *Research Journal of Management Practice.* *5*(10), 1-15. DOI: https://doi.org/10.5281/zenodo.18002368

Introduction

Taxation is one of the significant tools for mobilizing revenue to finance public expenditure and socio-economic development in every country. In Nigeria, the economy has been facing the challenges of overdependence on oil revenue for decades, and with recent oil price shocks and dwindling production, the Nigerian economy has been struggling with volatility, budget deficits, fiscal instability, and high unemployment. The economy's over reliance on oil earnings ishowever having the most devastating impact on the Nigerian economy as oil price fluctuations pose several challenges to development. To this end, the government has sought to effect changes and reforms in both the diversification of the economy and the tax base. The recent decades have seen more focus and effort being made to strengthen non-oil revenue. There has been more focus and attention on non-oil taxes like stamp duty, education tax, capital gains tax, and the National Information Technology Development Fund (NITDF). Adegbie et al. (2023) indicated that tax revenue diversification has become an important and effective policy tool for harnessing inclusive and sustainable economic growth in Nigeria. The country's tax administration system has also evolved over time. At independence from Britain in 1960, Nigeria had a tax administration and collection system in place. While the British had only direct taxes for revenue purposes, the administration introduced direct and indirect taxes after independence. The 1970s saw the collapse of the taxation system as oil overtook all other sources of public revenue and with this, weak tax administration and a lackadaisical attitude to taxation. As Agbo and Onuegbu (2022) note, from the late 1990s to the early 2000s, Nigeria began refocusing its fiscal strategy toward non-oil tax reforms, improving compliance, and leveraging technology to enhance transparency and revenue collection. Among the non-oil taxes, stamp duty has gained renewed prominence as an indirect tax imposed on legal documents such as contracts, property transactions, and financial instruments. Its collection efficiency improved following digitization efforts by the Federal Inland Revenue Service (FIRS) and the Central Bank of Nigeria (CBN), reflecting a broader effort to enhance internal revenue generation and accountability (Adegbie et al., 2023). Similarly, the education tax, introduced in 1993 and restructured under the Tertiary Education Trust Fund (TETFund) Act of 2011, mandates companies to contribute a portion of their assessable profit to support tertiary education. Agunbiade and Idebi (2020) emphasize that this tax boosts government revenue and strengthens human capital, which is essential for long-term economic development. Other components of Nigeria's tax diversification agenda include the Capital Gains Tax (CGT) and the NITDF. CGT, levied on the disposal of capital assets like real estate and equities, can promote economic stability and equitable wealth distribution. Osho, Ajibola, and Omolola (2019) argue that CGT discourages speculative investments and encourages responsible asset management. The NITDF, on the other hand, represents a modern fiscal instrument requiring ICT firms to remit part of their profit to fund digital innovation. As Ayeni (2024) observes, the fund has boosted broadband expansion, digital literacy, and job creation—key drivers of Nigeria's transition to a knowledge-based economy.

Given Nigeria's pursuit of macroeconomic stability, it is essential to examine how tax revenue diversification influences economic growth. A well-diversified tax system ensures stable revenue, fiscal sustainability, and inclusive growth (Okwara & Amori, 2017). Despite reforms and the introduction of several non-oil taxes, their collective impact on economic growth remains underexplored. Therefore, this study aims to empirically analyze how non-oil tax instruments—specifically stamp duty, education tax, capital gains tax, and NITDF—affect Nigeria's economic growth as measured by GDP.

Literature review

According to Oyelami and Alege (2018), economic diversification is a reflection of the government's practical and coordinated efforts to start the process of expanding the many economic streams of activity in order to guarantee sustainable economic production and distribution of products and services in a particular economy. It entails the development of fresh opportunities for significant economic growth as well as the implementation of economic strategies to enhance numerous opportunities for all economic sectors. Furthermore, the process of ensuring numerous sources of income depends not only on oil revenue but also on all other economic activities that encourage corporate and private business operations to boost profits and taxable income (Owan, Ndibe & Anyanwu, 2020). Tax revenue diversification is the strategy of broadening a country's tax base to include multiple revenue sources, thereby reducing reliance on a single source, like oil, and increasingeconomic resilience, financial stability, and sustainable development by mitigating risks from price volatility and sector-specific downturns. The requirement for sustainable economic growth and the volatility of oil prices have made this technique more popular in Nigeria. Nigeria's economy has historically been mostly dependent on oil earnings, putting it vulnerable to fluctuations in the world oil market. This reliance emphasises how crucial it is to diversify tax revenue sources in order to promote growth and stabilise the economy. The government wants to create a more robust economic structure by expanding the tax base to include non-oil industries.

Stamp Duty

A tax known as stamp duty is levied on specific legalinstruments and transactions to make them legally binding and to raise public revenue. In Nigeria, it is collected by the Federal Inland Revenue Service (FIRS) on behalf of the federal government for corporations and the state tax authorities on behalf of the state governments for individuals. It is enacted under the Stamp Duties Act (Cap S8 LFN 2004, as amended).As per Oyedele (2021), stamp duty can be applied to both paper and electronic documents such as contracts, receipts, share transfers, and money transfers that confer legal validity on these documents and is a source of non-oil revenue in Nigeria. The Finance Act 2019 which expanded stamp duty to include digital transactions put a spotlight on stamp duty in line with the government’s plan to diversify revenue and drive fiscal sustainability in Nigeria (Olaoye & Adewuyi, 2022). The 2020 directive from the Central Bank of Nigeria (CBN) mandating financial institutions to charge a ₦50 levy on all electronic transfers above ₦10,000, increased revenue by 88% in the first six months of 2020, but concerns have been raised over lack of transparency, multiple charges, and administrative bottlenecks. In addition to revenue, stamp duty has other benefits. It has helped in the formalization of the Nigerian economy because businesses and transactions without stamp duty have no legal recognition. Stamp duty can boost investor confidence, ease of doing business, and broader macroeconomic stability.

Education Tax

All Nigerian registered businesses are required to pay the Education Tax, which is deducted by the tax authorities from their assessable profits and sent to the government for the purpose of supporting and rehabilitating public tertiary institutions. Education taxes were created by the Education Tax Act of 1993 and the Tertiary Education Trust Fund (TETFund) Act of 2011.

The law states that all registered companies that are profit-making should contribute 2.5 percent of their profits to a trust fund established by the government to provide support and funding for tertiary education in Nigeria. The Federal Inland Revenue Service (FIRS) is responsible for collecting the money on behalf of the government, according to the law. The

Federal Inland Revenue Service (FIRS) is responsible for collecting the money on behalf of the government, according to the law. The TETFund Act of 2011 granted the Tertiary Education Trust Fund (TETFund) the authority to manage the fund.According to Omodero (2021), the primary function of the Education Tax Act is to strengthen human capital development in the country by providing a sustainable source of funding for tertiary education through various investments in education infrastructure, research, and development, and staff training and development. However, the Office of the Auditor-General of the Federation (2022) recently reported that poor management and bureaucratic inefficiencies have limited the impact of the tax, with over ₦100 billion in TETFund funds unspent or mismanaged between 2018 and 2021. Some scholars (Iroanya and Okafor, 2023) further noted that the tax had only targeted tertiary education and had neglected to focus investments on basic and technical education, which was also needed for human capital development. The government has also made some attempts to improve the situation in recent times, such as through TETFund's Digital Education Support Scheme (DES), which supported institutions in developing digital learning infrastructure and enabled continuity of learning during the COVID-19 pandemic and other crises (TETFund, 2022; Bello & Hassan, 2023).

Capital Gains Tax

Capital Gains Tax is a tax that is charged on the profit realized when an asset such as land, buildings, shares, or a business is sold or disposed of in Nigeria. It is a way for the government to expand its tax base, especially outside of the oil sector. As per Ojedokun (2024), it is charged at 10 per cent flat rate of the difference between the cost of acquisition and the sale price. As a result, only the net gains are taxed, and this means that it is a realization-based tax. The legal basis for the Capital Gains Tax is the Capital Gains Tax Act of 2004, which has been updated several times by subsequent Finance Acts. In his review, Pwc (2023) noted that recent legal changes have affected CGT, as the Finance Act of 2021 reintroduced it on share transactions, while the Finance Act of 2023 gave taxpayers the option of carrying forward capital losses to offset against future capital gains, bringing the law in line with international standards. In addition, the proposed Nigeria Tax Bill (NTB) 2024 was set to expand CGT to include indirect disposal of shares by non-residents and digital assets such as cryptocurrency (Esuga, & Ayileka, 2025). Practical compliance with the law and regulations requires effective record keeping and digital reporting systems. Okonkwo and Chukwu (2019) states that electronic filing through channels such as the Federal Inland Revenue Service's (FIRS) Tax Pro-Max have helped to ease efficiency, but these platforms are constrained by poor internet connectivity and limited digital literacy among Nigerian taxpayers.

National Information Technology Development Funds

The National Information Technology Development Fund (NITDF) is a financing mechanism introduced under the NITDA Act of 2007 to support innovation and ICT entrepreneurship, capacity building, and ICT infrastructure development in Nigeria. Ejem and Omodia (2022) noted that the NITDF is a tax-based instrument used by the Federal government to accelerate national development in the area of Information and Communications Technology (ICT). It was established to fund and support ICT research, training, and development in both the public and private sectors with a view to strengthening the Nigerian digital economy. The NITDF is financed through a 1% tax on the profit before tax of companies from key sectors such as telecommunications, financial institutions, oil and gas with annual turnovers of over ₦100 million. The fund is managed by the National Information Technology Development Agency (NITDA) of Nigeria. As defined by Okoye and Agbo (2021), the NITDF aims to

bridge the digital divide by extending ICT access to underserved communities and fostering knowledge-based economic growth. Through initiatives such as the 3 Million Technical Talent (3MTT) Program, NITDA has improved digital literacy and employability, positioning ICT as a major driver of productivity and GDP growth. Nonetheless, challenges such as limited funding, weak accountability, and exclusion of MSMEs from the tax base are still limiting its developmental impact. Therefore, further measures to improve transparency and inclusivity in stakeholder participation are critical to unlock the full potential of the fund and contribute to the long-term vision of digital and economic transformation of the country.

GDP Growth Rate

The Gross Domestic Product (GDP) growth rate measures how rapidly a nation's total output of goods and services expands over a given period and serves as a key indicator of economic health and policy effectiveness. According to Abatta (2025)**,** Nigeria's GDP growth rate has declined to one of its lowest points in decades, reflecting underlying pressures on household welfare and fiscal sustainability. Similarly, Eric (2024) explains that GDP growth rate comparisons across countries reveal how effectively each economy transforms resources into rising living standards and employment opportunities. Recent data show that Nigeria's GDP grew by only 2.9% in 2024, following 3.1% in 2023, suggesting a sluggish post-pandemic recovery amid inflationary pressures and weak productivity. Analysts attribute the slow growth to currency devaluation, infrastructure gaps, and rapid population expansion, which outpaces output gains. Urbanisation has provided some lift, as cities generate more jobs and services, but the benefits remain unevenly distributed. Despite modest improvements, projections by the African Development Bank (Omotosho, 2024) indicate that sustained reforms—such as exchange-rate unification, energy subsidy removal, and investment in digital and transport infrastructure—are crucial for stronger performance. Ultimately, Nigeria's GDP growth rate not only mirrors the pace of production but also signals the country's capacity to convert policy changes and human capital investment into broad-based prosperity.

Effect of Tax Revenue Diversification on the Growth of the Nigerian Economy

Tax revenue diversification positively affects the growth of Nigeria's economy by reducing dependence on volatile oil income and creating a more stable and sustainable fiscal base. When revenue is drawn from multiple sources such as company income tax, value-added tax, customs duties, and stamp duties, government spending becomes more predictable and resilient to external shocks like oil price fluctuations. This stability allows for continuous investment in infrastructure, education, and healthcare—key drivers of long-term growth. According to Adegbie et al (2023)**,** diversified tax systems enhance fiscal capacity and reduce budget deficits, enabling the government to fund productive projects without excessive borrowing. Similarly, Ojima (2024**)** found that non-oil tax revenues have a stronger and more consistent impact on GDP growth than oil revenues, as they are linked to broader economic activities across manufacturing, trade, and services. By widening the tax base, encouraging compliance, and improving fiscal planning, tax diversification strengthens macroeconomic stability, attracts foreign investment, and promotes inclusive development in Nigeria.

Theoretical Framework

This section reviewed several theories on the effect of Tax Revenue Diversification on Nigeria's economic growth, and these theories include the Endogenous Growth Theory and Public Finance Theory. However, this study is anchored on the Endogenous Growth Theory.

Endogenous Growth Theory

The endogenous growth theory, developed by Paul Romer in 1986, shows that the long-run economic growth rate is determined by investment decisions, human capital, and innovation taken from within the economy, rather than by external technological shocks. The theory predicts that when public policies boost infrastructure investment, education, research and development, and workforce skill, they create positive spill-overs that raise overall productivity, allowing GDP to grow continuously without the diminishing returns to capital predicted by earlier neoclassical models. This insight directly connects to the motivation for Nigeria's government to try to diversify its tax revenue. A wider, more predictable tax base that includes VAT, CIT, CED, and taxes on the fast-growing digital and service sectors will provide the state with more steady funds to pay for schools, hospitals, incubators, and fibre-optic cables. Endogenous Growth Theory predicts that this public investment will in turn raise the stock of knowledge and capital inside the economy, encouraging firms to innovate and workers to accumulate skills, which in turn feeds back into higher long-run growth. Moreover, because tax revenue is less volatile than the swings in oil prices, the state can plan further ahead, making it possible to complete longer-term projects to roll out electricity, broadband connectivity, and teacher training for the population. This virtuous cycle is Romer's insight precisely.

Public Finance Theory

The public finance theory explains the impact of the government's budget on the economy and resource distribution. It emphasises the role of taxation, borrowing, and public spending in achieving macroeconomic stability, equity, and growth. The theory can help to underpin Nigeria's drive to try to diversify its tax revenue mix because, according to Eze and Olorunfemi (2022), this reduces overreliance on oil and helps to improve fiscal resilience, providing the state with more consistent revenue to spend on priority infrastructure, education, digital development, and human capital, as well as support Nigeria's non-oil economy. As Adebayo and Salisu (2023) note, efficient, progressive tax diversification also aligns with the equity goals of the public finance literature by spreading the burden fairly and reducing market distortions. By focusing on VAT, CIT, the additional Stamp Duty, Education Tax, digital service charges, and extra levies on the fast-growing entertainment and telecoms sectors, the government can meet its obligations while also providing incentives to invest productively. In sum, applying public finance theory to this project justifies the research question because the diversification of tax sources will pay for government expenditure as well as long-term inclusive economic growth in Nigeria.

Theory Adoption

Endogenous Growth Theory, as developed by Paul Romer (1986, 1990) and Robert Lucas (1988), is the most relevant lens to use for this study on how tax-revenue diversification affects the growth of Nigeria's economy because it places public policy in the centre of the growth process. Unlike the neoclassical model, which assumes technological progress simply "happens" from outside the system, the endogenous approach argues that deliberate investments like regular public spending on education, transport infrastructure, power, and R&D raise the productivity of workers and firms in a lasting way. It also recognises positive spill-overs: when one company innovates or one state builds better fibre-optic connectivity, the nearby producers also learn and copy, multiplying the benefit. Diversifying taxes gives the Nigerian government a stable, predictable stream of cash to finance exactly those kinds of productivity-boosting investments. When revenue does not swing wildly with the vagaries of oil prices, budgets for training teachers, upgrading the grid, and rolling out broadband

internet are less likely to be chopped mid-year. Therefore, Endogenous Growth Theory provides a direct causal mechanism – human-capital formation, infrastructure capital deepening, and knowledge diffusion – through which a broader tax base can raise long-run GDP. Other theories, like the Optimal Taxation model or Portfolio Diversification, can explain how to raise revenue more efficiently or reduce fiscal risk, but do not explain how the extra, steadier money changes the path of the economy's growth rate. A second reason to adopt this framework is its emphasis on learning-by-doing and innovation. Nigeria's digital services and creative economy sectors are expanding rapidly on the back of continuous skills upgrades and research spending. A tax mix that includes VAT on e-commerce and a modest levy on telecommunications, can recycle part of the sector's profits back into innovation grants, start-up incubators, and vocational universities, creating a virtuous circle of innovation that the endogenous model describes precisely. In short, the theory links diversified revenue sources to the very engines of human capital, infrastructure, and ideas that Nigeria must strengthen to drive self-sustaining, inclusive growth.

Empirical Review

Anaeto, Austine, and Nwachukwu (2024) conducted an investigation into the influence of various federally imposed taxes on the economic growth of Nigeria during the period from 2010 to 2022, utilizing an ex-post facto research design. To analyze the correlation between taxes such as Customs and Excise Duties (CED), Petroleum Profit Tax (PPT), Education Tax (EDT), and Gross Domestic Product (GDP), the researchers employed a Vector Error Correction Model (VECM). Their results indicate that Customs and Excise Duties (CED) and Education Tax (EDT) exert positive yet statistically insignificant effects on economic growth; conversely, Petroleum Profit Tax (PPT) demonstrates a significant positive impact in the short term. To enhance Nigeria's economic growth trajectory, the study advocates for the implementation of measures aimed at improving the efficiency of tax collection and broadening the tax base.

Mijinyawa, Ibrahim, and Shagari (2024) conducted a comprehensive examination of the influence of tax reforms on the economic growth of Nigeria from 2013 to 2022, employing an ex-post facto research design and utilizing time series data sourced from the National Bureau of Statistics, the Central Bank of Nigeria's Statistical Bulletin, and the Federal Inland Revenue Service. The methodology of regression analysis was employed to elucidate the relationship between tax reforms, including modifications to the Petroleum Profit Tax (PPT), Company Income Tax (CIT), Value Added Tax (VAT), and Customs and Excise Duty (CED), and various economic development indicators. The results of their study indicate that reforms in PPT and CIT exert a significant positive influence, implying that increases in these tax categories are correlated with advancements in economic development. Conversely, the reforms associated with VAT demonstrate a pronounced negative impact, indicating that increases in VAT during this timeframe are linked to declines in indicators of economic progress. Overall, their findings show that, while some tax reforms, like PPT and CIT, have a favourable impact, others, such as VAT, may have a negative impact, demonstrating that tax policy changes are crucial in influencing Nigeria's economic outcomes.

Collins and Essien (2024) employed an Autoregressive Distributed Lag (ARDL) model to examine the correlation between total tax revenue and economic development, operationalized through the Human Development Index (HDI), within the context of Nigeria from 1990 to 2022. Utilizing data sourced from esteemed institutions such as the Central Bank of Nigeria and pertinent national statistics, their empirical results indicate a positive and

statistically significant long-term association between total tax revenue and HDI, suggesting that an augmentation in tax revenue facilitates enhancements in human development. Furthermore, the results demonstrate that Gross Domestic Product (GDP) and health expenditure both serve as positive catalysts for human development during the specified research timeline, while educational expenditure exhibits a negative yet statistically insignificant impact. Diagnostic assessments affirm the robustness of the ARDL model by validating both short- and long-term estimations.

Obi and Ekwunife (2023) undertook a longitudinal time series analysis spanning from 1994 to 2020 to investigate the implications of value-added tax (VAT) revenue on the economic growth of Nigeria. Employing Ordinary Least Squares regression methodology on datasets derived from the Nigerian tax report and the Central Bank of Nigeria Statistical Bulletin, their findings revealed that VAT revenue exerts a substantial and advantageous influence on Nigeria's Gross Domestic Product (GDP). Moreover, VAT revenue significantly enhances the Human Development Index (HDI), thereby underscoring its critical role in fostering socioeconomic advancement.

Emughedi, Lawal, and Kalu's (2023) investigation scrutinized the role of tax-derived income in facilitating economic development within Nigeria from 1999 to 2023, delineating the distinctions among oil-based tax (OBT), non-oil-based tax (NOBT), and aggregate tax revenue (ATR). Utilizing data extracted from the Central Bank of Nigeria's Statistical Bulletin and the Federal Inland Revenue Service, the study implemented an Autoregressive Distributed Lag (ARDL) model with GDP per capita growth serving as the dependent variable. The empirical results indicate that non-oil tax revenue exerts a significant positive influence on GDP per capita growth, whereas oil-based tax revenue demonstrates negligible effects on economic development. Furthermore, aggregate tax revenue has been found to exert a negative and substantial influence on economic growth.

Ihenyen and Ogbise (2023) employed an ex post facto research methodology to assess the correlation between tax receipts in Nigeria and economic growth, utilizing secondary data sourced from the Central Bank of Nigeria and the Federal Inland Revenue Service from 1994 to 2020. Through the application of multiple linear regression analysis, their findings illustrate that tax instruments such as petroleum profit tax, corporate income tax, and value-added tax positively affect Nigeria's GDP. Conversely, customs duties, excise taxes, and levies manifest adverse effects. Collectively, the analysis reveals a significant correlation between total tax revenue and economic growth, thereby emphasizing the critical importance of tax mobilization in enhancing macroeconomic performance.

Nwaiwu's (2023) research investigated the ramifications of various tax reforms on the economic development of Nigeria from 1994 to 2023, utilizing the Human Development Index (HDI) as the principal measure of development. The study encompasses an array of tax instruments, including Personal Income Tax (PIT), Education Tax, Company Income Tax (CIT), Value-Added Tax (VAT), and Petroleum Profit Tax (PPT), while drawing on time series data from the Central Bank of Nigeria and the Federal Inland Revenue Service. The research indicates mixed stationarity at both levels and first differences through the application of stationarity tests, an Autoregressive Distributed Lag (ARDL) model, and Granger causality tests. In the long-term analysis, it concludes that only the lagged values of PIT per capita, CIT per capita, PPT per capita, and Education Tax per capita exert a significant impact on economic development, as measured by HDI. Overall, the empirical

evidence suggests that tax revenue has a mixed influence on Nigeria's economic advancement.

The investigation conducted by Odu (2023) explored the ramifications of value-added tax (VAT) on revenue generation and economic progress in Nigeria, employing time series data sourced from the Central Bank of Nigeria, the Federal Inland Revenue Service, the Federal Office of Statistics, and the Federal Ministry of Finance spanning the years 1994 to 2020. Through the application of an ex post facto methodology and data analysis via ordinary least squares regression, the results indicate that VAT exerts a positive and statistically significant effect on both tax revenue generation and GDP growth within the Nigerian economy.

Osamor, Omoregbee, Ajasa Adeoye, and Olumuyiwa Loko (2023) examined the correlation between tax revenue and economic growth in Nigeria utilizing an ex post facto research design, incorporating quarterly data from 2011 to 2020. The study identifies petroleum profit tax (PPT), corporate income tax (CIT), value-added tax (VAT), and customs and excise duties (CTD) as contributors to tax revenue, while gross domestic product (GDP) serves as the metric for economic growth. Through descriptive analysis, unit root tests, the bounds cointegration test, and the ARDL methodology, the researchers found that PPT, CIT, VAT, and CTD manifested a positive yet statistically insignificant influence on economic growth. Ultimately, the authors conclude that, although components of tax revenue exhibit a positive correlation with GDP, their overall impact remains insignificant in the context of Nigeria throughout the period under investigation.

The study conducted by Hussain, Musa, and Musa (2021) investigated the dynamic interrelationship among various tax revenue streams, specifically Customs and Excise Duties (CED), Company Income Tax (CIT), Petroleum Profit Tax (PPT), Value Added Tax (VAT), and Capital Gains Tax (CGT), in relation to economic growth in Nigeria from 2013 to 2022. Utilizing a Vector Error Correction Model (VECM), the research reveals that CED and VAT have statistically significant positive impacts on GDP, underscoring their critical role in fostering macroeconomic growth. Conversely, CIT and PPT demonstrate positive yet statistically insignificant effects, suggesting a more subdued influence on economic expansion. The inclusion of CGT completes the comprehensive set of tax instruments analyzed. These findings underscore that while certain tax categories exert a more pronounced impact on economic growth, others necessitate further structural adjustments to attain significance within the framework of the model examined.

The research conducted by Ayeni and Omodero (2021) employed an ex post facto research methodology utilizing annual time-series data spanning from 2010 to 2022, sourced from the National Bureau of Statistics (NBS) and the Federal Inland Revenue Service (FIRS). The investigators applied Ordinary Least Squares (OLS) multiple regression analysis to assess the impact of oil tax revenue and non-oil tax revenue on the Gross Domestic Product (GDP) of Nigeria. Their findings reveal that non-oil tax revenues exert a negative and statistically insignificant effect on GDP (coefficient = -0.0101, p = 0.9879), while oil tax revenues demonstrate a positive yet statistically insignificant influence (coefficient = 0.9657, p = 0.2031). In summary, tax revenues exhibit a positive, albeit statistically insignificant, correlation with economic growth (F statistic = 1.011, p = 0.39795, R^2 = 0.002). Consequently, the null hypothesis positing that tax revenues have no significant impact on Nigeria's economic growth remains unrefuted.

The investigation by Onoja and Ibrahim (2021) examines the interrelationship between tax revenue and the economic growth of Nigeria. They employed annual data concerning Petroleum Profit Tax (PPT), Value Added Tax (VAT), and Company Income Tax (CIT) as indicators of tax revenue, while Gross Domestic Product (GDP) serves as a measure of economic growth. Utilizing an Autoregressive Distributed Lag (ARDL) model and Stata software to analyze data from 1981 to 2018, the results indicate that PPT (oil tax revenue) maintains a positive yet statistically insignificant correlation with GDP, whereas VAT and CIT (non-oil tax revenues) reveal significant positive associations. These results underscore the critical role of non-oil revenue streams, particularly VAT and CIT, in propelling Nigeria's economic growth.

Methodology

This investigation drew upon secondary data extracted from the annual report of the Federal Inland Revenue Service for the year 2024. The dataset encompasses a chronological span of 16 years, extending from 2009 to 2024. The research employed an ex-post facto design, signifying the utilization of pre-existing data without the implementation of experimental or manipulative procedures. The model applied in this inquiry was derived from analogous research conducted by Hussain, Musa, and Musa (2021). Their model examined the influence of tax revenue diversification on the economic growth of Nigeria. The original model is delineated below.

GDP = f (CED, CIT, PPT, VAT, CGT) …… eq1

Where:

Gross Domestic Product is expressed as a function of Customs and Excise Duties, Company Income Tax, Petroleum Profit Tax, Value Added Tax, and Capital Gains Tax.

In the context of this study, the aforementioned model was tailored to align with the present research focus, which scrutinizes the impact of tax revenue diversification on the economic growth of Nigeria.

Equation 1 was adopted and subsequently modified to equation 2.

GDPR = f (ET, SD, CGT, NITDF)----------(eq 2)

$GDPR = \beta 0 + \beta 1ET + \beta 2SD + \beta 3CGT + \beta 4NITDF + Ut$.....(eq 3)

Where,

GDP Growth Rate is articulated as a function of Education Tax, Stamp Duty, Capital Gains Tax, and National Information Technology Development Fund. $\int$ = Functional Notation, μt = Error term, $\beta 0 - \beta 4$ = Coefficients of Estimates.

Results and Discussion

Table 1: Summary of Descriptive Statistics of Data

	GDPR	ET	SD	CGT	NITDF
Mean	11.95875	316.7644	40.24875	19.92000	15.33875
Median	12.18500	196.4450	9.935000	10.94500	10.99000
Maximum	26.97000	1637.850	238.8800	99.40000	52.13000
Minimum	2.980000	89.00000	5.600000	1.000000	5.900000
Std. Dev.	5.493182	380.6925	63.24140	25.91133	11.52157
Skewness	0.903789	2.903144	2.226580	2.056409	2.190755
Kurtosis	4.775437	10.42846	7.195326	6.623615	7.580402
Jarque-Bera	4.279674	59.26335	24.95426	20.03057	26.78514
Probability	0.117674	0.000000	0.000004	0.000045	0.000002
Sum	191.3400	5068.230	643.9800	318.7200	245.4200
Sum Sq. Dev.	452.6258	2173902.	59992.12	10070.96	1991.197
Observations	16	16	16	16	16

Source: Computation by author using E-view 12.0

Table 1 elucidates the descriptive statistics pertinent to the comprehensive study sample. The dataset indicates that the mean (alongside the standard deviation) values for GDP Growth Rate (GDPR), Stamp Duty (SD), Education Tax (ET), Capital Gain Tax (CGT), and National Information Technology Development Fund (NIDTF) are 11.95875, 316.7644, 40.24875, 19.92000, and 15.33875, respectively (with corresponding standard deviations of 5.493182, 380.6925, 63.24140, 25.91133, and 11.52157). The observed values for these quintet of variables span from 1.000000 to 52.13000.

Unit root tests: Augmented Dickey-Fuller Test

The estimation of Ordinary Least Squares (OLS) regression frequently necessitates stationary data. Nonetheless, diverse models have been developed to address this challenge when the data exhibits non-stationarity. A notable approach in this regard is the Vector Autoregressive Estimates (VAR). The VAR methodology is predicated on the premise that data may attain stationarity at levels I(0), first difference I(1), second difference I(2), or through a synthesis of these states. The Augmented Dickey-Fuller (ADF) test was employed to ascertain the absence of stationarity concerns.

Table 2 delineates the results of the ADF test.

Variables	ADF Tests: Level		ADF Tests: 1st Diff		ADF Tests: 2nd Diff		Order of Integration
	ADF Test Statistic	p-values	ADF Test Statistic	p-values	ADF Test Statistic	p-values	
GDPR	-3.243668	0.0374	-6.541399	0.0001	-7.934747	0.0000	I(0)
ET	-6.284662	0.0000	-3.128660	0.0481	-4.166983	0.0441	I(0)
SD	0.289759	0.9689	-3.180281	0.0434	-6.030868	0.0004	I(1)
CGT	-3.632728	0.0183	-5.896629	0.0004	-7.038935	0.0001	I(0)
NITDF	3.162546	1.0000	-0.429855	0.8785	-3.126558	0.0495	I(2)

Source: Author, E-views 12 edition

The results of the Augmented Dickey-Fuller (ADF) unit root test presented in Table 2 indicate that all examined variables exhibit stationarity at the level, first differences, and second differences. Given that the variables are stationary at I(0), I(1), and I(2), it is appropriate to employ the Vector Autoregressive (VAR) modeling technique for further analysis.

Short Run Relationship

Table 3: Results of Vector Autoregressive Estimates Normalised on GDPR

Parameters	Coefficient	Standard Error	t-statistic
GDPR (-1)	0.102622	0.26353	0.38941
ET (-1)	-0.011133	0.01533	-0.72605
SD (-1)	0.063404	0.05938	1.06772
CGT (-1)	0.009518	0.12944	0.07353
NITDF (-1)	-0.444400	1.29291	0.27220
C	20.54153	8.23904	2.49319

Source: Output Data from E-views 12.0

Adjusted R-square =0.86 *F-Statistic = 15.71772*

The short-run Vector Autoregressive (VAR) estimates normalized on GDP growth rate (GDPR) reveal that previous GDP growth, education tax, stamp duty, capital gain tax, and the National Information Technology Development Fund (NITDF) jointly influence Nigeria's economic growth in the short run. Although the lagged values of GDP growth rate and most tax variables show expected positive or negative relationships, none of them are individually significant as their t-statistics fall below the critical value of 2, indicating weak short-run effects. Specifically, stamp duty and capital gain tax have positive but insignificant impacts, while education tax and NITDF exert negative but insignificant effects on GDP growth. The significant constant term suggests other factors contribute to baseline growth. However, the high adjusted R-square (0.86) and significant F-statistic (15.72) indicate that, collectively, these fiscal variables explain a substantial proportion of short-run variations in Nigeria's GDP growth, implying that taxation plays a relevant but indirect role in driving short-term economic performance.

6.Conclusion and Policy Implication

The revenue crisis inherited by the Tinubu administration is marked by dwindling oil earnings, heavy debt servicing obligations, and low tax collection efficiency. This fiscal imbalance has left limited funds for infrastructure, social welfare, and economic development, forcing the government to pursue reforms in taxation and subsidy removal to boost revenue generation. The decline in revenue has prominently highlighted the necessity for diversification; consequently, this research examined the impact of tax revenue diversification on the economic growth of Nigeria. The primary aim of this investigation was to analyze the influence of tax diversification through Stamp Duty (SD), Education Tax (ET), Capital Gains Tax (CGT), and the National Information Technology Development Fund (NITDEF) on Nigeria's economic growth (GDPR). Following the unit root test, it was determined that the variables exhibited stationarity at orders I(0), I(1), and I(2), thereby warranting the application of Vector Autoregression (VAR) for the analysis of the study. The findings from the analysis indicate that tax revenue exerts a positive yet statistically insignificant effect on Nigeria's economic growth, which is in concordance with the research conducted by Anaeto, Austine, and Nwachukwu (2024); Mijinyawa,

Ibrahim, and Shagari (2024). Consequently, the study concludes that there is an urgent necessity for Nigeria to diversify its tax base and to ensure effective tax administration, compliance, and utilization of revenue to foster sustainable economic growth while mitigating excessive dependence on oil revenue. In light of the findings, the study advocates that Nigeria should broaden its revenue sources by enhancing non-oil taxes such as education tax, stamp duty, capital gains tax, and levies pertaining to the digital economy to diminish overreliance on oil income.Tax administration should be enhanced through the adoption of modern technology and improved institutional efficiency to minimize leakages and corruption. In addition, the government should promote tax compliance by simplifying tax processes, enforcing penalties for evasion, and raising public awareness on the importance of taxation. Finally, effective and transparent utilization of tax revenue for developmental projects and social services is essential to build public trust and stimulate sustainable economic growth.

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