# IMPACT OF TAXATION ON WEALTH CREATION IN NIGERIA (2010-2023)

**JAHUN, Fadheela Uba**
Accounting & Finance Department, Transmission Company of Nigeria, Kumbotso, Kano State, Nigeria

and

**DANDAGO, Kabiru Isa**
Department of Accounting, Bayero University, Kano, Nigeria

## ABSTRACT

The study examined the impact of taxation on wealth creation in Nigeria for a period of fourteen years (2010-2023). The study's specific goal is to evaluate the influence of total tax, petroleum profit tax, nor oil tax, and value added tax on wealth creation in Nigeria. Correlational research design is used for this study. The study employs secondary form of data which have been sourced from Central Bank of Nigeria (CBN) statistical bulletin and published Federal Inland Revenue Statement (FIRS). Data extracted from published reports of the CBN and the FIRS are analyzed by means of descriptive statistics, correlation and multiple regressions. The study found that taxation (direct and indirect) is generally an instrument for sustainable revenue generation and collection, stabilization of the economy, controlling productive and consumption behaviors and narrowing of the gap between the rich and the poor. Individually, some taxes have more impact on wealth creation than others. For example, the impact of Petroleum Profit Tax (PPT) is higher than that of Companies Income Tax (CIT) or Value Added Tax (VAT). The study recommends that the government should intensify efforts at blocking all loopholes in the tax laws as well as bring more prospective taxpayers (firms and individuals) into the tax net, especially those big businessmen and women, who do not pay taxes properly. More so, the Nigerian government should judiciously use the tax revenue collected for executing various developmental projects, including the empowerment of micro, small, and medium enterprises that would improve the quality of livelihood and infrastructures in the country, with a view to creating massive wealth which could pave way for the country towards sustainable development.

**Keywords**: Taxation, Tax Revenue, Wealth Creation, infrastructure, sustainable development

**JEL CLASSIFICATION: D31, H20, H54**

## 1.0 INTRODUCTION

The nexus between taxation policies and wealth creation stands as a focal point of scholarly inquiry as taxation policies wield significant influence over a nation's economic landscape. Taxes contribute substantially to the national coffers. However, the impact of taxation extends beyond mere revenue collection. It shapes economic behavior, resource allocation, and wealth creation. Nigerian–tax system includes taxes such as personal income tax, capital gains tax, value added tax, capital gain tax, petroleum profit tax, companies' income tax, and customs and excise duties, which all contribute substantially to the national coffers.

The government of any nation is saddled with enormous responsibilities which are influenced greatly by the income generated by the government from different sources one of which includes taxes. To finance its operations, the Nigerian government is primarily reliant on taxes. Individuals or companies must pay tax to the government, which is normally imposed by the government on the income of the taxpayer. Taxation, being a major source of funding for all three tiers of government, is highly important in helping the government achieve its macroeconomic objectives (Ogunsola, 2023; Adefolake & Omodero, 2022). Taxes are typically categorized as either progressive or regressive. Progressive taxes (PROGs) impose a more significant relative burden on the wealthier, while regressive taxes place a higher relative burden on the less affluent. An example of a regressive tax is the consumption tax, whereas taxes on income and assets are usually progressive. For instance, a PROG might be applied to individuals with net assets above a certain threshold (Ola, 2024).

Wealth creation encompasses the multifaceted processes through which individuals, businesses, and nations generate value and accumulate assets over time. It extends beyond the accumulation of financial resources; to the broader enhancement of well-being, creation of employment opportunities, and the development of sustainable economic

structures. Taxation plays a pivotal role in shaping the environment within which wealth creation occurs. As taxes influence the allocation of resources, individual incentives, and investment decisions, they become integral determinants of the pathways through which wealth is generated. The diverse array of taxes in Nigeria, (including personal income tax, profit gains tax, value-added tax, capital gains tax, petroleum profit tax, companies income tax, and customs and excise duties), not only contribute significantly to the national coffers but also exert a profound impact on economic behavior and resource allocation (Onuoha & Akintoye, 2018).

The relationship between taxation and wealth creation looks complex; higher taxation can lead to increased wealth creation, as it extends beyond individual prosperity to benefit the broader economy. Generally, higher taxation is often associated with a reduction in disposable income, which can lead to decreased individual spending and investment (Fang, 2024). This can hinder wealth creation rather than enhance it. Wealth creation typically involves generating more economic value, which may be negatively impacted by excessive taxation. Therefore, the relationship between taxation and wealth creation is complex, where optimal tax policies can support wealth creation by funding public goods and services while avoiding excessive burdens that could stifle economic activity. Despite the revenue reported by the government over the years, the revenue has been insufficient in meeting its social and public spending, which is important to enhance economic growth. Hence, the study delves into the crucial effect of taxation on wealth creation.

Prior studies have examined the impact of taxation on wealth creation in both developing and developed nations (Adefolake & Omodero, 2022; Victory et al., 2022; Onuoha & Akintoye, 2018; Saidu, 2014). There are few studies on the perspective of the relationship between taxation on wealth creation in Nigeria. The available studies on the relationship between taxation on wealth creation include Adefolake & Omodero (2022) and Onuoha & Akintoye (2018). These studies concluded that taxation could be employed to stimulate economic growth through increased trade and economic activities. This study, therefore,

represents an attempt to bridge the research gaps by examining the relationship between taxation and wealth creation in Nigeria. This study is for a period of fourteen years, 2010 to 2023, thus filling the gap for the need for a recent study.

The objective that this study intends to achieve is to examine the effects of taxation on wealth creation in Nigeria from 2010 to 2024. The specific objectives of the study include: analyzing the impact of total tax on the wealth creation of Nigeria; assessing the effect of petroleum profit tax on wealth creation of Nigeria, examine the effect of nor oil tax on wealth creation of Nigeria, examine the effect of company income tax on wealth creation of Nigeria and to determine the effect of Value added tax on the wealth creation of Nigeria.

## 2.0 LITERATURE REVIEW

### 2.1 Wealth Creation

Wealth has different connotations for different perspectives and people. In general, it means the abundance of something that someone or entity possesses with embedded value. In business terms, wealth means products or services generated by a given economic activity and usually refers to the accumulation of resources by a certain society (Yelwa & Emmanuel, 2013). Wealth creation occurs through various channels: successful businesses, real estate investments, stock markets, and intellectual property. Entrepreneurship plays a pivotal role in this process. When entrepreneurs innovate, create jobs, and build successful enterprises, they contribute not only to their wealth but also to the broader economy. Effective wealth creation strategies involve not only financial accumulation but also social impact on the nation's Gross domestic product as a whole.

The measurement of wealth creation has been discussed by scholars having different views. However, Ibadin and Oladipupo (2015) and Otu and Adejumo (2013) opined that wealth creation is measured as economic growth that is normally measured by Gross Domestic Product (GDP). These scholars conclude that the GDP measures national production for a

given period of time in a way that shows capital stock operations, technological advancements, quality of education, and healthcare and security services. According to Onuoha and Akintoye (2018), for a nation, wealth creation is measured by its economic growth which is any kind of increase in production and service activities that sustain the national income for some time.

This shows that increased employment, capital stock improvement, and technical advancement are taking place. An increase in labour force shows that there is an economic activity that generates employment for the citizens; the investment climate is fair to all and resources are being equally allocated where there is also an increase in production output of a nation and per family or head which is translated as improvement in citizens' welfare. Through capital stock, there is an increase in investment opportunities since there is availability of finance from primary and secondary capital markets (Lee & Gordon, 2005). Thus, wealth creation requires the development and improvement of basic physical and social infrastructures that improve the standard of living in society. These include the construction of education schools, hospitals for quality healthcare, road construction, bridge settings, railways, seaports, and modern airports. These become facilities for wealth creation among the citizens of a nation (Afuberoh & Okoye, 2014; Adereti et al., 2011). The government's role should be the stabilization of the national economy, improvement of services provision to citizens and redistribution of income among the population in terms of public facilities (Ayuba, 2014).

Appah (2010) considered economic growth as a measurement of wealth creation for the nation that comes from the economic activities which are supported by the government’s contribution to business conduct and facilitation in terms of public goods creation. Lymer (2010) and Chigbu and Njoku (2015) are of the opinion that the government should have a sound and fair fiscal policy that allows for economic stability, employment provision, externalities balance, and sustained economy so that its nation should continually develop

and secure its future for the citizenry. Thus, the tax policy should be used to collect relevant tax revenues or income from the government for the government's capacity to generate public goods as indicators of wealth creation.

## 2.2 Taxation

Taxation has been in practice for centuries as a tool for collecting tax revenue or a weapon to generate revenues that would support the governmental expenses in terms of capital and recurrent expenditures that help in improving life conditions of the citizens. Taxation has been defined as a mechanism, process, procedure or system set by government of a given nation with the main aim of collecting tax revenues or income from citizens such as individuals, entities, or companies, in order to finance its public expenditures or utilities and fulfillment of other public duties and responsibilities (Fang, 2024, Ogunsola, 2023; and Somorin, 2012). A sound tax system is necessary to every nation (Ogbonna & Ebimobowei, 2012) as taxation was considered the main source of national income of nations by Afubero and Okoye (2014), used as a mechanism by the government to stabilize economic growth, improving living standards, Creating and redistributing wealth (Adefolake & Omodero, 2022; and Afuberoh & Okoye, 2014) and key support that enables officials to discharge their responsibilities in creating and enhancing the welfare of the citizens (Ogunsola, 2023 and Azubike, 2009).

Taxes can be Direct or indirect. Direct taxes are taxes paid directly by individuals or companies from their direct income or revenues. These include personal tax, property, capital gain, and income taxes (Somorin, 2012). Indirect taxes are impersonal taxes that are deducted or imposed on transactions, goods and services. They are not directly borne by individuals' incomes, rather consumers of goods and services pay often not knowing they do. These taxes are imposed on last-line consumers. They include sales tax, services tax, value-added tax, excise duties, customs (import/export) duties, expenditure tax, stamp

duty, registration duty, transaction tax, entertainment tax, and taxes on some hard drinks, tobacco, and petrol, and they are also imposed on the manufacturers (Somorin, 2012).

## 2.3 Empirical Review

The seminal works of economists have laid the groundwork for understanding the direct impact of taxation on wealth creation. Becker and Murphy (2007) elucidated the fundamental role of tax policies in shaping individuals' incentives to engage in wealth-generating activities. Their comprehensive analysis highlighted the multifaceted ways in which tax structures influence investment decisions, savings patterns, and, consequently, the accumulation of wealth. Research within the dynamics of Taxation and wealth creation has attempted to explain the relationship between these variables while Taxation is identified as a major source of revenue to the Government (Azubike, 2009). Tomljanovich (2004) defined tax as a mechanism for reducing income wealth inequalities between the poor and rich and inflation. Gentry and Hubbard (2005) also found taxation to be an effective tool for economic growth and wealth creation.

Further studies by McBride (2012) identified taxation as an effective tool for wealth creation and distribution. Gentry and Hubbard (2005) further prove taxation to be a veritable tool in the development of the economy, employment, and income distribution among the citizens. This is in line with Ogbonna and Ebimobowei (2012) assertion that taxation plays a role as a wealth creation engine and helps to regulate economic activities by motivating some sectors considered important for more development opportunities. They also found tax reforms to have a significant effect on economic growth. Taxation plays an important role in wealth creation in Nigeria, Somorin (2011), Afuberoh and Okoye (2014) and Appah (2010) considered economic growth as a measurement of wealth creation for the nation that comes from economic activities.

Okoye (2014) and Appah (2010) have corroborated that taxation plays an important role in wealth creation in Nigeria. Their list of the areas that are supported by tax revenues include:

(i) stimulating growth in the economy, by increased trade and economic activities; (ii) stimulating domestic and foreign investment; (iii) revenue generated from taxes can also be applied directly to identify sectors of the Nigerian economy to stimulate more attractive sectors; (iv) revenue earned from taxes can be used to develop effective regulatory systems, strengthen financial and economic structures and address market imperfections and other distortions in the economic sector; and (v) redistribution of income. Worlu (2012) adds that tax revenue realized from high-income earners is used to provide public infrastructure and utilities to the lowest-income earners.

Inyiama et al. (2016) used regression analysis to examine the impact of VAT, customs, and excise levies on Nigeria's economic growth. The outcome demonstrated the beneficial effect of value-added tax, customs tariffs, and excise taxes on economic growth. Also, Ojong et al. (2016) studied the tax revenue and national economic growth in Nigeria and found that petroleum profit tax contributes to the wealth creation of the Nigerian economy. Also, they found that non-oil tax revenue significantly affects economic growth, and the low tax contributor to the tax revenue pool was found to be company income tax. The main challenges they asserted were poor tax administration, tax evasion, and tax avoidance levels that were too high.

Similarly, Ayeni et al. (2017), using the paired sample T-test, looked at the effects of oil revenue and non-oil revenue on Nigerian economic growth from 1986 to 2015. Oil revenue and non-oil revenue were both positive and highly associated with real GDP, but there was a considerable difference between the effects of oil revenue and non-oil income on economic growth. Non-oil revenues were estimated to have contributed 2.5% to GDP growth while oil revenues contributed 7.7%. Udofot and Etim (2017) from 1980 to 2015 looked into the relationship between SMEs' tax revenue and economic growth in Nigeria. The study's data came from several editions of the Central Bank of Nigeria (CBN) statistical reports and the Federal Inland Revenue Service (FIRS) yearly reports.

Regression and correlation analyses were used to examine the data collected. The findings demonstrate that the variables are positively and strongly related, and they suggest redesigning the entire tax administration system to increase revenue collection.

Abomaye-Nimenibo et al. (2018) conducted a Multiple Regression Analysis to conduct an empirical assessment of the influence of tax revenue on economic growth from 1980 to 2015. The analysis indicated that, in the short run, petroleum profit tax and corporate income tax had no major impact on economic growth, although customs and excise tariffs did. However, it is recommended that the government ensure that all companies are registered in Nigeria, limiting the risk of tax evasion. Asaolu et al. (2018) investigated the relationship between tax revenue and economic growth in Nigeria from the year 1994 till 2015, the study employed a descriptive and historical research design and an Auto autoregressive distributed Lag (ARDL) Regression. The study revealed a significant relationship between CED and VAT with economic growth, a negative and significant relationship with economic growth, and an insignificant relationship with economic growth.

In other study conducted by Dladla and Khobai (2018) used the Autoregressive Distribution Lag (ARDL) research method to look at the long- and short-term effects of taxation on economic development in South Africa from 1981 to 2016. The study's results revealed a large and negative long- and short-term impact of taxes on economic growth as well as a long- and short-term favorable association between trade openness and economic growth. Similarly, Onuoha and Akintoye (2018) examined taxation as a veritable tool for wealth creation in Nigeria. The study adopted the *ex post facto* design. Data covering 16 years between 2001 and 2016 were collected and analyzed using inferential statistics and simple regression techniques. The finding shows that total tax revenues have a significant effect on the GDP which was used as a proxy for wealth creation. The implication of the conclusion is the strong need for more effective collection of tax revenue and greater emphasis on efficient tax administration.

Yahaya and Bakare (2018), using data from the Federal Inland Revenue Service and the CBN statistical bulletin, analyzed the influence of petroleum profit tax and company income tax on Nigeria's economic growth from 1981 to 2014. The researchers employed a time series study approach and ordinary least square regression analysis. Petroleum profit tax and firm income tax have a favorable and significant impact on economic growth in Nigeria, according to the study. It was suggested that the government use the revenue earned by these tariffs for economic development and infrastructure improvements. Adeusi et al. (2020) investigated the impact of non-oil revenue on the economic growth of Nigeria, where company income tax, value-added tax, personal income tax, and custom and excise duties were the non-oil revenue for the period 1994–2018 with data gotten from Federal Inland Revenue Service and National Bureau of Statistics. Ordinary Least Square Regression Techniques were used for data analysis. The study revealed that Value Added Tax and Custom and Excise duties have a more significant positive impact on economic growth while Company Income Tax and Personal Income Tax have a negative but significant effect on economic growth. John and Dickson (2020), using Error Correction Models, analyzed the influence of tax revenue on economic growth using both unadjusted and adjusted Gross Domestic Product from 1984 to 2018. When GDP was not adjusted for inflation, PPT had a minor but beneficial effect on economic growth, whereas VAT and CIT had a large but negative impact on GDP. PPT had a negative and insignificant impact on adjusted GDP, but VAT had a positive and considerable impact, and CIT had a negative and significant one.

Etim et al. (2021) used a descriptive and inferential statistical technique, correlational and regression statistics, and an *ex post facto* research design, the study compared the effects of direct and indirect taxation on the growth of the Nigerian economy. The study demonstrated that indirect taxes have a greater detrimental impact on economic growth. Mukolu and Ogodor's (2021) study examined the impact of VAT on Nigerian economic growth for the year 1994 to 2018 using an Augmented Dickey-Fuller analysis method. Data

from the Central Bank of Nigeria statistical bulletin and Federal Inland Revenue Service were used for the analyze. The study showed that there is a positively significant impact of VAT on Gross Domestic Product. It also showed that VAT has to a great extent, given rise to the total revenue of the nation and has helped in tax evasion by taxpayers.

Adefolake and Omodero (2022) assessed the effects of tax revenue on the economic growth of Nigeria utilizing time series data spanning from the year 2000 to 2021. The study's specific goal is to evaluate the influence of the hydrocarbon tax, corporation income tax, and VAT on Nigeria's economic growth. The study employs the secondary form of data, which has been sourced from CBN statistical bulletin and published Federal Inland Revenue Statement. An ex-post facto research design is used for this study. The data collected are analyzed and tested for unit roots using the Augmented Dickey-Fuller method. The study variables, which comprise GDP, PPT, CIT & VAT, are found to be stationary at first difference. Thus, a Johansen co-integration test is also conducted, and it reveals a long-run relationship. Consequently, the study utilizes the Vector Error Correction Model to evaluate the effects of PPT, CIT, and VAT on GDP. The findings revealed that PPT and VAT have positive and significant effects on GDP. It also reveals that CIT has a negative and significant effect on GDP.

Victory et al. (2022) investigated the impact of tax reforms on the economic growth of Nigeria. This study adopted a time-series strategy concerned with how to perform impact analysis on already existing data. Secondary data were used in this study. However, relevant data for the study were obtained from Central Bank of Nigeria (CBN) Statistical Bulletins, Federal Inland Revenue Services Bulletins, and the World Bank, using a judgmental sampling technique, a sample of 21 years period from 2000 to 2021. The regression analysis technique was used to measure the effects of the predictor variables on the criterion variables. This study used the estimated technique of both descriptive statistics and Ordinary least square (OLS) regression analysis method with the help of the Statistical Package for Social Sciences (SPSS 25). The results revealed that there is a positive

significant impact of VAT, CIT & PPT on RGDP in Nigeria, among other things. Therefore, the researcher established that there is a significant positive impact of tax reforms on Nigeria's economic growth.

Chenge and Oigbochie (2023) explained the unique political and economic nature of governance in resource-rich countries starting in the 1970s. The wealth in a rentier state is usually accrued through the extraction and selling of valuable natural resources under the full control of the government, which is mainly directed by a ruling elite group. Nigeria is described as a 'rentier state' as a result of its mono-economy in which oil rents play a dominant part. The study examines the rentier state syndrome in Nigeria and how it affects tax revenues, which are largely based on non-oil sector development. A documentary research design was used for the study. Data collection was done using secondary sources, while data analysis involved the use of descriptive statistics and content analysis. The findings of the study revealed that oil revenue has, over the years, surpassed tax revenue and remains the mainstay of the Nigerian economy. It also showed that the imbalance between tax revenues and resource rents in Nigeria is due to quick profits from oil; opportunistic rent-seeking and rent grabbing, a weak private sector; and the desire by political elites to undermine transparency and accountability that comes with a functional tax system.

Adeyemi (2012) believes that taxation has a role to play in terms of attracting domestic and foreign direct investment that all aim at providing sustainable social and economic development and growth. Thus, tax incentives and exemptions are used to create investment opportunities. This shows that the tax system of any given country is a tool for an improved level of investment that creates wealth for the owners of the capital (investors) and citizens who get employment and earn income that helps them to solve their social and economic problems. As a result, tax experts agree that new investments bring new monetary flows within a nation where many people get involved and new business

activities would be developed as small-scale activities created by big investments. Thus, tax policies should be developed in such a way that maximizes value creation in terms of wealth that is distributed among the citizens and business partners who also develop themselves as a result of domestic and foreign direct investments attracted through those tax policies. This shows that taxation should be well structured so that it becomes a tool for increasing and improving the economic sustainability of a nation as a source of fostering the development in all economic and social endeavors of the population (Ogunsola, 2023; Gale et al., 2015 and Ogbonna & Ebimobowei, 2012). Hence, the hypothesis is formulated as follows:

$H0_1$: Total tax has no insignificant effect on wealth creation in Nigeria;

$H0_2$: Petroleum profit tax has no significant effect on wealth creation in Nigeria;

$H0_3$: Non oil tax has no significant effect on wealth creation in Nigeria;

$H0_4$: Company income tax has no significant effect on wealth creation in Nigeria; and

$H0_5$: Value added tax has no insignificant impact on wealth creation in Nigeria.

## 3.0 METHODOLOGY

This study adopted an ex post facto design. The data were collected from published reports by the Central Bank of Nigeria (CBN) and the Federal Inland Revenue Service (FIRS). The period covered by this study is 14 years, ranging from 2010 to 2023. This period was considered appropriate because of the availability of data and its currency to the prevailing economic environment of the country. The study adopted descriptive and inferential statistics, which helped to test the econometric model of the study by using simple regression statistics.

The variables for the study are categorized into two dimensions (presented in Table 3.1): Taxation (independent) and wealth creation (dependent). Taxation was measured as the

yearly tax generated in Nigeria. Wealth creation is measured by economic growth which reflects an increase in production activities and gross domestic products. This is obtained from data from the National Bureau for Statistics (NBS) and the Central Bank of Nigeria (CBN). The definitions and measurements of the variables are presented in Table 3.1 below:

**Table 3.1: Variables of the Study and their Measurements**

| Variables | Symbol | Measurement | Source/Justification |
|---|---|---|---|
| Wealth Creation | GDP | Gross Domestic Product | Ola (2024), Adefolake and Omodero (2022), Asaolu et al. (2018), Onuoha and Akintoye (2018) and Udofot and Etim (2017). |
| Taxation | TT | Natural Logarithms of tax generated each year. | Ola (2024), Adefolake and Omodero (2022), John and Dickson (2020) and Dladla and Khobai (2018). |
| | PPT | Natural Logarithms of petroleum profit tax generated each year. | Ola (2024), Adefolake and Omodero (2022), Victory et al. (2022), Yahaya and Bakare (2018) and Abomaye-Nimenibo et al. (2018). |
| | NOT | Natural Logarithms of nor oil tax generated each year. | Ola (2024), Ogunsola (2023), Adeusi et al. (2020) and Ayeni et al. (2017). |
| | CIT | Natural Logarithms of companies' income tax generated each year. | Ogunsola (2023), Adefolake and Omodero (2022), Victory et al. (2022), Adeusi et al. (2020), John and Dickson (2020 and Yahaya and Bakare (2018). |
| | VAT | Natural Logarithms of value added tax generated each year. | Adefolake and Omodero (2022), Victory et al. (2022), Etim et al. (2021), Mukolu and Ogodor's (2021), Adeusi et al. (2020), John and Dickson (2020) and Asaolu et al. (2018). |
| Exchange Rate | ER | Yearly exchange rate | Ogunsola (2023) and Onuoha and Akintoye (2018). |
| Interest Rate | IR | Yearly interest rate | Asaolu et al. (2018) and Dladla and Khobai (2018). |
| Inflation Rate | INFI | Yearly inflation rate | Ola (2024) and Yadawananda and Achal (2020). |

***Source: Authors Computation, 2025***

## 3.1 MODEL SPECIFICATION

The models are presented as follows:

GDP= *f*(TT, PPT, NOT, CIT, VAT, ER, IR &^INFL) ……1

$GDP_t = \beta 0 + \beta_1 TT_t + \beta_2 PPT_t + \beta_3 NOT_t + \beta_4 CIT_t + \beta_5 VAT_t + \beta_6 ER_t + \beta_7 IR_t + \beta_8 INFI_t + \varepsilon_t$ ……..……2

**Where:**

GDP= Gross Domestic Product.

TT = Total tax

PPT = Petroleum profit tax

NOT = Non oil tax

CIT = Companies' income tax

VAT = Value added tax

ENRT = Exchange Rate

INRT = Interest Rate

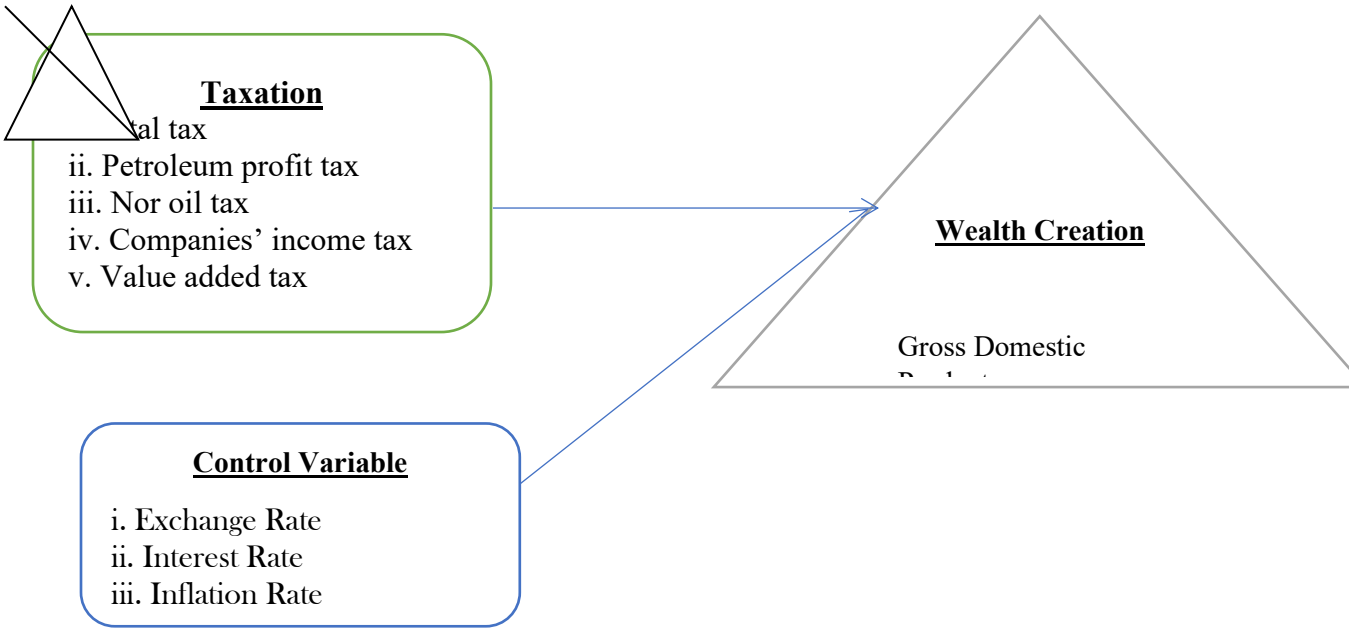
INFRI = Inflation Rate

$\varepsilon_{it}$ is the error term.

Techniques of Data Analysis

The study used three techniques in analyzing the data generated. They are descriptive statistics, correlation, and multiple regressions. Descriptive statistics involved the use of mean, standard deviation, minimum and maximum to evaluate degree of variability of the selected variables for the study. At the same time, it is consistent with the studies of Ola (2024), Adefolake and Omodero (2022), Adeusi et al. (2020), Asaolu et al. (2018) and Onuoha and Akintoye (2018). Correlation shows the strength and the degree of association among the variables. In other words, it is employed to determine the level of inter-relationship between the independent variables among themselves to understand the degree of their association before conducting the regression analysis. This is consistent with the work of Adefolake and Omodero (2022) and Yahaya and Bakare (2018). Furthermore, the

multiple regression technique was used to examine the impact of taxation on wealth creation. Figure 1 below shows the relationship between the IV and DV as statistical diagram.




**Source:** Developed by Researchers from Literature (2024).

## 4.0 RESULTS AND DISCUSSIONS

This section presents the result of data analysis that includes descriptive statistics, correlation matrix, and multiple regression technique approach.

Descriptive Statistics

Table 4 provides a summary of statistics for the variables of the study, such as mean, standard deviation, minimum, and maximum of the study variables. The Table shows the summary statistics of the dependent and explanatory variables to appreciate the nature of the results adequately. The descriptive statistics analyzes the essential feature of taxation variables, entrepreneurship, and wealth creation. It provides a necessary insight into the quality of the data upon which analysis was done.

**Table 4.1: Descriptive Results**

| Variables | Obs. | Mean | Std. Dev. | Min | Max |
|---|---|---|---|---|---|
| **GDP** | 14 | 3.2968 | 2.8957 | -1.79 | 8.01 |
| **TT** | 14 | 2.7986 | 0.7521 | 1.03 | 3.25 |
| **PPT** | 14 | 3.3671 | 0.1925 | 3.06 | 3.74 |
| **NOT** | 14 | 3.4364 | 0.1951 | 3.16 | 3.78 |
| **CIT** | 14 | 3.0879 | 0.1997 | 2.75 | 3.44 |
| **VAT** | 14 | 3.0336 | 0.2232 | 2.74 | 3.44 |
| **ER** | 14 | 397.3114 | 247.4439 | 146.2 | 840 |
| **IR** | 14 | 7.8436 | 4.2243 | 1.07 | 17.59 |
| **INFL** | 14 | 14.0014 | 5.3976 | 8.05 | 28.92 |

**Source:** Authors' Computation, 2025

From Table 4.1, it can be observed that the number of observations for each variable is 14. This is in line with the period of the study. The mean statistics imply that the average GDP growth of Nigeria's economy has a value of 3.30% approximately during the period. The maximum value that can be reached is about 8.01. However, the minimum is -1.79. This may be attributed to the less economic growth during the period. The low volatility of economic growth is indicated by the deviation from the mean of 2.8957 indicated by the standard deviation. Similarly, Table 4.1 shows that Total Taxation (TT) has a mean value of 2.7986 with a minimum value of 1.03 and maximum value of approximately 3.25. The standard deviation of 0.7521 shows that there is a fairly wide deviation in TT within the sample.

Additionally, the mean value Petroleum Profit Tax (PPT) is 3.3671 for the period of the study with minimum of 3.06 and maximum value of 3.74. The standard deviation of 0.1925 indicates that there is no wide variation in data. Also, the mean value Nor Oil Tax (NOT) is 3.4364 for the period of the study, with minimum of 3.16 and maximum value of 3.78. The standard deviation of 0.1951 indicates that there is no wide variation in data. In the same vein, the mean value Companies Income Tax (CIT) is 3.0879 for the period of the

study with minimum of 2.75 and maximum value of 3.44. The standard deviation of 0.1997 implies that there is no wide variation in data.

More so, VAT has a mean value of 3.0336 with a standard deviation of 0.2232, indicating that VAT data is widely diverse. The minimum is 2.74 and the maximum is about 3.44 for the period of the study. Also, Table 4.1 shows that the Exchange Rate (ER) has a mean value of 397.3114 with a minimum value of 146.2 and maximum value of approximately 840. The standard deviation is 247.4439, this shows that there is a wide deviation in ER data for the period under study. The mean value of the Interest Rate (IT) is 7.8436 for the period of the study, with a minimum of 1.07 and maximum value of 17.59. The standard deviation of 4.2243 implies that there is no wide variation in data. Lastly, Table 2 shows that the inflation rate has a mean value of 14.0014 with a minimum value of 8.05 and maximum value of approximately 28.92. The standard deviation is 5.3976, this shows that there is a wide deviation in inflation rate data for the period under study. The correlation matrix, as presented in Table 4.2, shows the association link between explanatory variables and the dependent variable.

**Table** 4.2**: Correlation Matrix**

| Variables | GDP | TT | PPT | NOT | CIT | VAT | ER | IR | INFL |
|---|---|---|---|---|---|---|---|---|---|
| **GDP** | 1.0000 | | | | | | | | |
| **TT** | -0.2549 | 1.0000 | | | | | | | |
| **PPT** | 0.6463 | -0.7816 | 1.0000 | | | | | | |
| **NOT** | -0.2839 | -0.6241 | 0.3187 | 1.0000 | | | | | |
| **CIT** | -0.2596 | -0.5993 | 0.3041 | 0.5740 | 1.0000 | | | | |
| **VAT** | -0.2783 | -0.6215 | 0.3583 | 0.4820 | 0.5243 | 1.0000 | | | |
| **ER** | -0.4692 | -0.3579 | 0.1494 | 0.3640 | 0.5954 | 0.3992 | 1.0000 | | |
| **IR** | 0.1770 | 0.0300 | -0.2510 | -0.2672 | -0.2467 | -0.3342 | -0.2927 | 1.0000 | |
| **INFL** | -0.1403 | -0.7138 | 0.4399 | 0.4817 | 0.5118 | 0.1264 | 0.4939 | 0.0009 | 1.0000 |

**Source:** Authors' Computation, 2024

The correlation results illustrate the relationships between the explanatory variables (TT, PPT, NOT, CIT, VAT, ER, IR, and INFL) and wealth creation as well as the relationship

among the independent variables. The negative correlation coefficient of -0.2549, -0.2839, -0.2596, -0.2783, -0.0692, and -0.1403 between explanatory variables (TT, NOT, CIT, VAT, ER, and INFL) and wealth creation indicate that as those variables increase, the level of wealth creation practice. Meanwhile, the positive correlation coefficients between wealth creation PPT (0.6463) and IR (0.1770) suggest that moderate petroleum profit tax and interest rate may be slightly low on wealth creation in Nigeria. The results of the correlation analysis indicated that the highest correlation coefficient between independent variables is -0.7816 for TT and PPT. Farrar and Gluabar (1967), as cited in Yildiz (2014) suggest that correlation between independent variables should not be considered harmful until the correlation coefficients reach 0.8 or 0.9, and Emory (1982) considers more than 0.8 to be problematic. Furthermore, Emory (1982) concluded that correlation coefficients exceeding 0.8 can be considered problematic due to the potential for multicollinearity issues and the challenges they pose in statistical analysis. This cautionary approach towards high correlation coefficients is essential in research to ensure the robustness and reliability of statistical findings.

**Regression Analysis**

This sub-section presents the regression results of the effect of taxation on wealth creation in Nigeria using multiple regressions. The regression result shows the impact of the independent variable on the dependent variables, as shown in Table 4 below:

**Table** 4.3**: Regression Result**

| **Variables** | **Taxation and Wealth Creation** | | |
|---|---|---|---|
| **GDP** | **Coef.** | **T** | **P>\|t\|** |
| **TT** | 3.3999 | 1.29 | 0.254 |
| **PPT** | 19.1272 | 3.01 | 0.030 |
| **NOT** | -0.7919 | -0.01 | 0.989 |
| **CIT** | -1.1895 | -0.05 | 0.960 |
| **VAT** | 13.1806 | 0.39 | 0.713 |
| **ER** | -0.0111 | -1.52 | 0.189 |

| | | | |
|---|---|---|---|
| **IR** | 0.3400 | 1.75 | 0.141 |
| **INFL** | -0.0368 | -0.13 | 0.899 |
| **_Cons** | -10.9337 | -1.53 | 0.187 |
| **Prob > p** | | 0.0009 | |
| **R-squared** | | 0.0839 | |
| **Adj R-squared** | | 0.0542 | |

**Source:** Authors' Computation, 2025

Table 4.3 presents the regression estimates of the effect of taxation on wealth creation. The test reveals an $R^2$ of 0.0839 (8%) for the impact of taxation on f-value), which statistically is significant (0.0009) for the model, demonstrating that the models are statistically fit to explain the changes between the independent variable and the dependent variable in the model.

Table 4.3 shows that taxation (PPT) has a positive and significant on wealth creation while other measurement of taxation (TT, NOT, CIT, and VAT) individuals shows an insignificant impact on wealth creation in Nigeria. Therefore, the study proves that taxation (TT, NOT, CIT, and VAT) does not significantly influence wealth creation in Nigeria while taxation (PPT) significantly influences wealth creation in Nigeria. Thus, the study provides evidence for rejecting Hypothesis two but fails to reject Hypothesis one, three, four, and five formulated in the study.

## 5.0 CONCLUSIONS AND RECOMMENDATIONS

This study explored the relationship between taxation and wealth creation in Nigeria. The regression analysis results show that petroleum profit tax influences wealth creation in Nigeria but Total tax, non-oil tax, companies' income tax, and value added tax does not statistically affect wealth creation in Nigeria.

Based on this finding, the study concluded that the relevance of tax revenue to an improved Nigerian economy cannot be over-emphasized. Therefore, tax revenue is an avenue for the government to source for funds to use and improve the workings of the economy, and this

would lead to economic growth. Also, the government should ensure that revenue generated from taxation is judiciously expended on projects that will contribute positively to wealth creation. This would encourage such institutions to keep paying tax as when due, and this will increase wealth creation. The Nigerian government should judiciously use the funds for the tax to improve the capital and recurrent expenditures and also improve on infrastructures. This would encourage the populace to benefit from the tax paid and continue to pay it.

Furthermore, the government should make concerted efforts to put in place sustainable tax policies, more effective tax administration, and stricter enforcement of tax laws in Nigeria. The Nigerian tax authorities should set up appropriate structures and strategies to cultivate more consistent, functional, and efficient tax regimes. Moreover, policymakers should focus on boosting the productive capacity of the economy by reforming the tax code to prioritize economic growth and opportunity. However, the government needs to expand the tax yield through an improved tax administration system. This is because of the danger of over-reliance on crude oil export receipts to drive the economy, among other things.

## *REFERENCES*

Abomaye-Nimenibo, W. A. S., Micheal, J. E. M., & Friday, H. C. (2018). An empirical analysis of tax revenue and economic growth in Nigeria from 1980 to 2015. Global Journal of Human Social Science: Financial Political Science, 18(3), 9–40.

Adefolake, A. O., & Omodero, C. O. (2022). Tax revenue and economic growth in Nigeria. Accounting, Corporate Governance & Business Ethics, 1(1), 23-40.

Adereti, S. A., Adesina, J. A., & Sanni, M. R. (2011). Value added tax and economic growth of Nigeria. European Journal of Humanities and Social Sciences, 10(1), 456-471.

Afuberoh, D., & Okoye E. (2014). The impact of taxation on revenue generation in Nigeria: A Study of Federal Capital Territory and Selected States. International Journal of Public Administration and Management Research (IJPAMR), 2(2), 22-47.

Appah, E. (2010). The problems of tax planning and administration in Nigeria: The Federal and State Governments Experience. International Journal of lab Organ Psychol, 4(1-2), 1-14.

Asaolu, T. O., Olabisi, J., Akinbode, S. O., & Alebiosu, O. N. (2018). Tax revenue and economic growth in Nigeria. Scholedge International Journal of Management & Development, 5(7), 72–85.

Ayeni, A. P., Ibrahim, J., & Adeyemi, A. O. (2017). Tax revenue and Nigerian economic growth. European Journal of Accounting, Auditing and Finance Research, 5(11), 75–85.

Ayuba, A. (2014). Impact of non-oil revenue on economic growth: the Nigerian perspective. International Journal of Finance and Accounting, 3(5), 303-309.

BaliamouneLutz, M., & Garello, P. (2011). Effects of taxation and tax progressivity on entrepreneurship in a large group of European countries, International Journal of Taxation, 3(1), 34-54..

Bruno, O. O., & Emmanuel, A. O. (2019). Tax revenue and the Nigerian Economy. International Journal of Academic Science Research, 3(2), 61–66.

*Chenge, A. A., & Oigbochie, A. E. (2023). Sustaining taxation in rentier economies: Evidence from Nigeria. Journal of global economics Economics, Political Science, 1(2), 56-72.*

Chigbu, E. E., & Njoku, C. O. (2015). Taxation and the Nigerian Economy: (1994-2012). Management Studies and Economic Systems (MSES), 2(2), 111-128.

Dladla, K., & Khobai, H. (2018). The impact of taxation on economic growth in South Africa. Nelson Mandela University.

Emory, C. W. (1982). Regression analysis and correlation. In: Business research methods. 5th ed. Richard D. Irwin, Inc, Homewood, IL.

Etim, O. E., Nsima, J. U., Austin, U. N., Samuel, S. C., & Anselem, M. U. (2021). Comparative analysis of the effect of direct and indirect taxation revenue on economic growth of Nigeria. Account and Financial Management Journal, 6(7), 2403–2418.

Fang, W. (2024). Negative Impact of Income Tax on Economic Growth. SHS Web of Conferences 188, 1-15.

Farrar, D. E., & Glauber, R. R. (1967). Multicollinearity in Regression Analysis: The Problem Revisited. The Review of Economics and Statistics, 49, 92-107.

Hamza, A. A. (2013). Entrepreneurship development. A publication of the National Open University of Nigeria, 16-33.

Inyiama, O. I., & Ubesie, M. C. (2016). Effect of value added tax, customs and excise duties on Nigeria economic growth. International Journal of Managerial Studies and Research, 4, 53–62.

John, O. A., & Dickson, O. E. (2020). Tax revenue and economic growth in Nigeria. Journal of Taxation and Economic Development, 19(1), 15–34.

Lee, Y., & Gordon, R. H. (2005). Tax structure and economic growth. Journal of Public Economics, 89, 1027-1043.

Lymer, A. (2010). Taxation Policy and Practice, 16th ed., Birmingham: Fiscal Publication.

Mukolu, M. O., & Ogodor, B. N. (2021). The effect of value added tax on economic growth of Nigeria. IAR Journal of Business Management, 2(1), 203–210.

Ogbonna, G. N., & Ebimobowei, A. (2012). Impact of tax reforms and economic growth of Nigeria: A Time Series Analysis. Current Research Journal of Social Sciences, 4(1), 62-68.

Ogunsola, A. (2023). Taxation and economic development in Nigeria. Malete Journal of Accounting and Finance, 4(1), 25-40.

Ojong, C. M., Anthony, O., & Arikpo, O. F. (2016). The impact of tax revenue on economic growth: Evidence from Nigeria. IOSR Journal of Economics and Finance (IOSR-JEF), 7(1), 32-38.

Ola, M. H. (2024). Taxonomy of wealth taxation literature: A study of implementation, effects, responses and regulatory policy context. Journal of Governance & Regulation, 13(4), 117–131. https://doi.org/10.22495/jgrv13i4art12.

Onuoha, L. N., & Akintoye, R. I. (2018). Taxation as a veritable tool for wealth creation in Nigeria**.** International Journal of Advanced Academic Research Social & Management Sciences, 4(12), 101-113.

Saidu, A. (2014). Impact of tax incentives on economic growth and industrial development in Nigeria. International Journal of Economic, 2(1), 45-76.

Seth H. (2019). Taxation and entrepreneurship. Giertz University of Texas at Dallas.

Somorin, O. A. (2011). National Tax policy, issues, challenges and prospects. Paper Presented at the MPTP workshop, Abuja, 19th October.

Somorin, O. A. (2012). Teju Tax Reference Book. Lagos: Malthouse Press Limited.

Udofot, P. O., & Etim, E. O. (2017). The effect of tax revenue components from SME's and economic growth of Nigeria.

Victory, C. O., Daniel, O., Promise, E. (2022). Impact of Tax Reforms on Economic Growth of Nigeria (2000-2021). Goodwood Akuntansi dan Auditing Reviu, 1(1), 79-95.

Yadawananda, N., & Achal, K. G. (2020). Tax structure and economic growth: A study of selected Indian states. Journal of Economic Structures, 9(38), 1–12.

Yahaya, K. A., & Bakare, T. O. (2018). Effect of petroleum profit tax and company income tax on economic growth in Nigeria. Journal of Public Administration, Finance and Law, 13(1), 100–121.