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# INDIRECT TAXES AND ECONOMIC GROWTH OF NIGERIA - THE REVENUE DIVERSIFICATION AGENDA

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## **Abstract**

*Achieving sound economic growth is one of the major priorities of economic regulators. Nigeria economy majorly built on oil revenue in which unpredictability nature of the oil sector might adversely affected economic growth. Indirect taxes serve as the diversification means of generating revenue for an economy, but Nigeria economy has been characterized with challenges of high level of tax gap, mono-dependent oil revenue generation and weak tax system. These challenges have created problem of poor indirect tax revenue generation and deterioration in Nigeria economic growth rate. The objective of the study is to examine the effect of indirect taxes (VAT) and (CED) as economic revenue diversification on Nigeria economic growth in Nigeria. The study used ex post facto research design with focused on RGDP, VAT, CED, interest rate and exchange rate in Nigeria within the period of 1995-2019. Autoregressive Distributed Lag (ARDL) method of analysis was employed, while unit root test was carried out among study variables and results shown that there were mixed levels of stationarity. Finding revealed that the short-run model indicated that CED, INT and EXR were major short-run determinants of Nigeria economic growth, while VAT was not short-run determinants of economic growth. Also, finding established that long run estimates established that, VAT, CED and INT show positive signs, indicating they influence RGDP positively while EXR has negative effect on GDP. The study concludes that both in the short and long runs VAT, CED, INT and EXR affect Nigeria economic growth. The study recommends that for an economy to achieve growth government should ensure that VAT, CED and INT are not highly charged on investors and consumers when buying products and services, acquiring raw materials from other countries, and seeking loan in the bank.*

**Keywords:** Custom and Excise Duties, Economic Growth, Indirect Taxes, Value Added Tax

## **1. Introduction**

Achieving targeted economic growth especially developing economies have become a major issue considered by economic agents due to high level of tax gap, over dependent on oil revenue, poor economic governance by political leaders, pressure from globalization and over importation. An economic growth could be gain through taxes whether direct or indirect taxes. Literature have shown that it is obligatory and responsibility of the government to balance a nation in terms of income equality and facilitating public services to achieve economic growth (Abiola & Asiweh, 2012; Ayuba, 2014; Ibadin & Oladipupo, 2015; Muhammad, 2020). These obligatory responsibilities can partially be pursued through taxes. Majorly, Muhammad (2020) argued that Nigeria regulators focused more on direct taxes as economic revenue generation while neglecting indirect taxes revenue, thus scholars had pointed out that indirect taxes could serve as economic diversification revenue generation for Nigeria in turn enhance economic growth (IMF, 2020; Muhammad, 2020; Omodero, 2020).

Taxation is one of the key bases of how government can produce revenue around the world. The tax revenue was employed to carry out government functions including; upholding laws and order, curbing external threats, and upholding businesses to preserve social and economic stability. One of the basic agenda for collecting tax revenue is to enhance government spending and functions tailoring towards favorable economic growth and development as well as reimbursing public debt. However, in developing economies like Nigeria, there is challenges of poor tax system and tax gap especially an indirect taxes (in generating revenue to enhance economic growth (Muhammad, 2020).

Nigeria as an economy generate the larger part of its national revenue from crude oil sector, while revenue from taxes is still very poor. International Monetary Fund (IMF) (2020) pointed that Nigeria as a sovereign state hugely depends on oil revenue. Therefore, as a mono-culture economy which largely depend on oil revenue makes Nigeria government ignore the advantages of revenue from indirect taxes; this makes Nigeria suffer major decline in national revenue during oil price volatility, global oil price crash and COVID 19 pandemic (IMF, 2020). Omodero (2020) claimed that Nigeria suffers high level of poor tax system as well as tax gap especially in indirect tax such as Value Added Tax (VAT) and Custom and Excise Duty (CED) because Nigerian political leaders lack political will to put down sound and efficiency tax system (IMF, 2020).

According to IMF (2020), Nigeria is one of the countries with lower VAT rates ranging from 2.5% to 7.5% while other developed, emerging and developing countries charge highest VAT rates, which vary between 8% to 27% percent. This IMF analysis indicated that Nigeria has not been exploring revenue implication of indirect taxes such as VAT and CED. Likewise, decline in oil and gas sector revenue via drop in the global oil prices, global oil market forces and COVID 19 shock makes Nigeria government unable to finance national budget. Then there exist a problem in financing economic budget. The problem of Nigeria government in the aspect of poor financing of budget and other economic obligatory forces Nigeria government to diversify revenue generation to indirect taxes (VAT and CED) to meet up national budget. The Nigerian economy's mono-product structure has drawn a lot of criticism in recent years. According to IMF (2020), Okonjo-Iweala (2012) and Ukpabi (2019), Nigeria's economy would soon collapse if it does not diversify and to attain the required level of economic growth, the country must diversify its economy away from crude oil as the primary source of revenue. Based on assertion of National tax policy (2017) that Nigeria government and other regulators must diversify the source of Nigeria revenue via indirect taxes so as to save the Nigeria economy from collapsing. Considering aforementioned issues regarding how Nigeria as an economy finding means to diversify revenue generation via indirect taxes revenue in financing economic activities that will yield sound economic growth, this study therefore raised hypotheses that;

H<sub>01</sub>: Indirect taxes (VAT and CED) do not significantly influence economic growth of Nigeria

H<sub>02</sub>: Interest rate and exchange rate do not significantly affect the effect of indirect taxes on economic growth of Nigeria

## **2. Conceptual and Empirical Review**

### **2.1 Indirect Taxes**

Indirect taxes are compulsory fee levied on manufacturer or service provider which later transferred to individual customers who patronize the manufacturer products or services (IMF, 2020). Indirect taxation in Nigeria were classified into two; (i) VAT and (ii) CED (IMF, 2020).

#### **2.1.1 Value Added Tax (VAT)**

VAT is an indirect consumption tax imposed on all products and services manufactured or rendered within a country (Omodero, 2020). VAT could also be called the Goods and Services Tax (GST), which is imposed on chain process-value added (Owino, 2019). According to Oseni (2017), the objectives of VAT in Nigeria include (i) to elongate the tax base by bringing in those who ordinarily cannot be reached through direct taxation; (ii) to improve revenue profile of the government; (iii) to encourage rewards by reducing the burden of direct taxes and promoting consumption tax.

#### **2.1.2 Custom and Excise Duty (CED)**

CED is an indirect tax, dating from the nineteenth century. Import and export taxes are known as custom duties (Chigbu & Njoku, 2015). An indirect tax is a tax on expenditure or outlay that can be shifted (partially or entirely) to someone else (George-Anokwuru, Olisa & Obayori, 2020; Obayori & Omekwe 2019). Custom duties, as stated by Ayodele (2006), as the most profitable indirect tax. Because the Nigerian Customs Services administers both customs and excise duties, which are grouped together (Ukpabi, 2019)

#### **2.1.3 Economic Growth**

Ukpabi (2019) defined economic growth as a shift in the inflation-adjusted market value within economy's goods and services over time. Conceptually, across the globe economic growth could be proxied with real gross domestic product (real GDP).

Empirically, the study of Omodero (2020) examined the penalties of indirect taxation on consumption in Nigeria and utilized a variety of econometric approaches from 2005 to 2019. The findings show that VAT has a minor but favorable impact on consumption, but CED has a big affirmative effect on usage. Stailova and Patonov (2012) established the impact of direct and indirect taxes on economic growth in the EU-27. The researchers utilized a regression model that included factors including the tax-to-GDP ratio and tax arrangements. However,

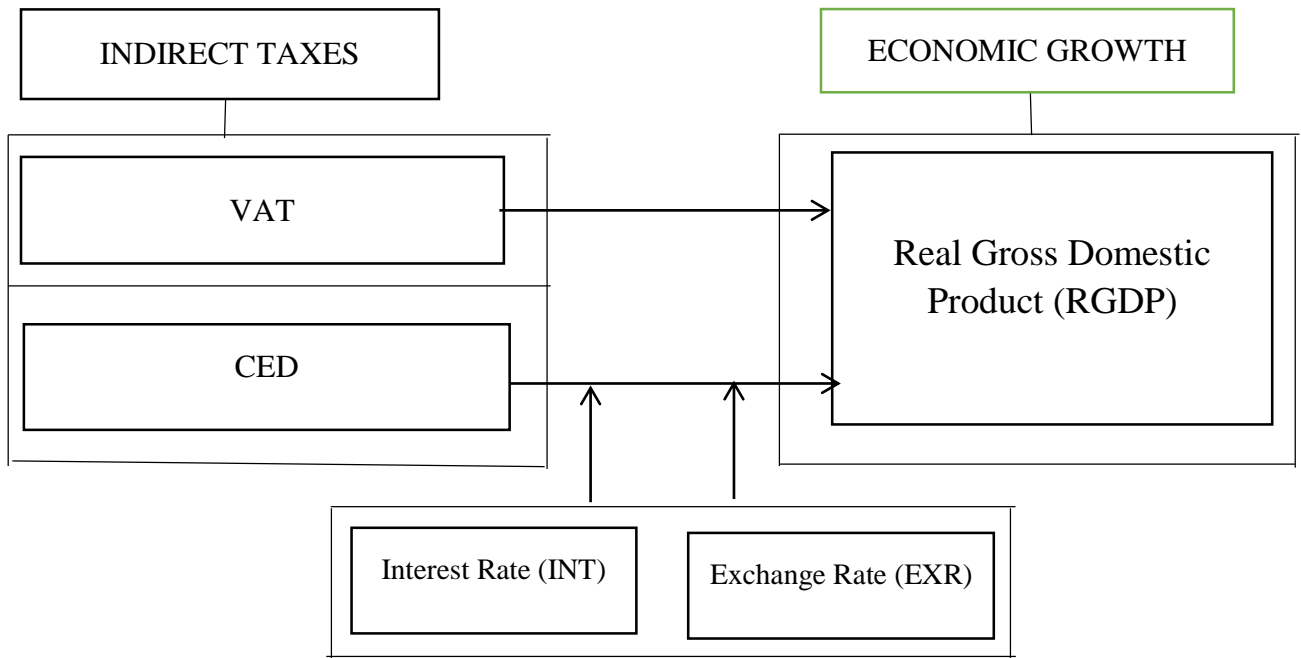
because of the disparity in indirect tax organization, indirect taxes tend to lower revenue estimates. Ukpabi (2019) examined the influence of indirect taxation and economic growth as a viable strategy of revenue diversification in Nigeria. The study employed dynamic econometric analysis. Study revealed that VAT had positive effect on economic development. On the other hand, customs and excise duties had a negative link that was evaluated and determined to be minor. However, the link between indirect tax sources and economic growth was discovered to be considerable in general.

Abomaye, Williams, Michael, and Friday (2018) investigate tax revenue through (VAT and CED) and their effect on economic growth in Nigeria. The study's analysis was conducted out utilizing the Multiple Regression Analysis approach. The Cointegration results demonstrated that there exist co-integration among study variables while CED shown significant association with economic growth. Muresan, David, Elek, and Dumiter (2014) and Onwuchekwa and Aruwa (2014) empirically shown that VAT contributed significantly to tax revenue of Nigerian government. The influence of VAT on investment growth in Nigeria was study by Asogwa and Nkolika (2013). The study found that all government funds should be directed toward developing initiatives that would boost the country's economic growth and that VAT had a considerable effect on investment in Nigeria. Considering the above empirical reviewed, there exist scanty empirical studies thus motivated the objectives of this study.

The study anchored on expediency tax theory as the theory established that government taxes can be used to achieve economic growth. The theory which was propounded and contracted by Bhartia (2009). The theory stated that any tax proposal should pass the practicality test. The expediency theory majorly focused on how to direct governments and other tax collection agencies to provide state's economic and social goals. The expediency theory assumes that country as an economy should charge taxes to the members of the society to provide economic activities and services, wellbeing and economic growth of populace. The ideology of the anchored theory is that populace must pay taxes, thus position these taxes for funding economic activities. This theory explains an economy's effectiveness and efficiency in tax collection instrument for enhanced economic growth. Bhartia (2009) and Egbuhuzor and Tomquin (2021) argued that the anchored theory depicted the link between tax liability and state activities. This theory is appropriate for this study because it enable government and citizens to assess the extent to which indirect taxes may enhance economic growth in Nigeria.

### 2.2.2 Conceptual Model

The conceptual model depicted the link effect of how indirect taxes measures (VAT and CED) on economic growth measure with RGDP as well as how both interest rate and exchange rate as control variables affect both VAT and CED on RGDP in Nigeria.



**Source:** Authors' Conceptual Model (2022)

### 3. Methodology and Models

The study adopted *ex-post facto* research design with yearly series between 1995 to 2019 and data were sourced from Central Bank of Nigeria (CBN) and the World Bank economic indicators websites. RGDP was proxied for economic growth, indirect taxes were proxied by VAT and CED, while Interest Rate (INT) and Exchange Rate (ER) were served as the control variable in determining Nigerian economic growth. Augmented Dickey Fuller (ADF) was employed through unit root test to check the data's order of stationarity. Finally, Autoregressive Distributed Lag (ARDL) model to investigate the dynamic effect of indirect taxes (VAT and CED), INT and ER on economic growth. The ARDL model was appropriate for mixed order of integration, therefore capable to establish the dynamic effect of

short-run and long-run among study variables. Also, the ARDL was suitable for this study, since the period for this study is small (Shrestha & Bhatta, 2018). The study adapted the model of Abomaye, Williams, Michael, and Friday (2018) to depict the link between indirect taxes on economic growth. The model of Abomaye *et al.* (2018) was stated below.

$$RGDP = \beta_0 + \beta_1 PPT + \beta_2 CIT + \beta_3 LCED + \varepsilon_i \text{----- eqn 1}$$

Where, GDP = Gross Domestic Product; PPT = Petroleum Profit Tax; CIT = Company Income Tax; CED = Customs and Excise Duties. From Abomaye *et al.* (2018) model, Petroleum Profit Tax, and Company Income Tax were removed because both they do not belong to the indirect tax classification. This study modified Abomaye *et al.* (2018) model by including VAT as one of the major classifications of indirect tax as well as employed interest rate and exchange rate as control variables since both interest rate and exchange rate affect Nigeria economic growth (IMF, 2020). The adapted model and ARDL model were shown in equation one and two. The aggregate model for equation one and two shown in equation three (3) below.

$$RGDP = \beta_0 + \beta_1 VAT + \beta_2 CED + \varepsilon_i \text{----- Eqn 1 for Hypothesis One}$$

$$RGDP = \beta_0 + \beta_1 VAT + \beta_2 CED + \beta_3 INT + \beta_4 EXR + \varepsilon_i \text{----- Eqn 2 for Hypothesis Two}$$

#### 4. Results and Discussions

The preliminary statistics results were depicted in Table 1.

**Table 1: Preliminary Statistics**

Statistics	Mean	Max	Min	S/D	Skew	kurt	Jarque-Bera (JB)	prob
<b>RGDP</b>	371.35	577.14	223.74	74.36	0.29	2.89	1.73	0.042
<b>VAT</b>	218.74	494.70	118.69	99.42	1.15	2.94	28.56	0.000
<b>CED</b>	11.91	18.72	7.71	3.05	0.39	2.16	7.03	0.030
<b>INT</b>	38704.7	62081.9	23689.9	9125.7	0.68	2.94	10.05	0.007
<b>EXR</b>	11.01	14.0	6.0	2.68	-0.74	2.29	14.58	0.000

**Source: Authors' Computations (2022)**

The RGDP has yearly average of 371.35, while the standard deviation stood at 74.36, indicating a minimal spread over the period. The maximum RGDP in a year is 577.14 and the minimum RGDP is 223.74. The skewness and kurtosis values are low, and this indicates that the data is not skewed and likely to be normal. Jarque-Bera (J-B) statistic further showed that the data is not normally distributed with its significant value of 1.73 and p-value of 0.042, indicating a rejection of null hypothesis of normality. Mean value of VAT and CED were ₦218.74 billion and



₦11.91 billion, while the maximum VAT and CED experienced in a year were ₦494.70 billion and ₦18.72 billion and minimum VAT and CED were ₦118.69 billion and ₦7.71 billion, with standard deviation of 99.42 and 3.05. The skewness and kurtosis values were indication that the data is skewed and likely not to be normal. J-B statistic shown that the data is not normal with its value of 28.56 and 7.03 and p-value of less than 5%.

Also, minimum value of interest rate is 7.71 while the maximum value is 18.72 with an average value of 11.91, which indicates wide range of interest rate in Nigeria. The skewness and kurtosis values are indication that the data is skewed and has tail and likely not to be normal. J-B statistic shown no normally distribution with its value of 7.03 and p-value of 0.030. Result further revealed that, exchange rate is 11.01 while the maximum for a month is 14 and minimum value of 6.0, this indicates high disparity in the rate of interest in Nigeria over the period of concern. Standard deviation for interest rate over the period stood at 2.68%. The skewness and kurtosis values of -0.74 and 2.29 are indications that the data is skewed and likely not to be normal. J-B statistic indicated that the data is not normal with its value of 14.58 and p-value of 0.000.

#### **Pairwise Pearson Correlation**

Table 2 below depicted result of pairwise correlation analysis to check if no relationships among study variables have correlation coefficient up to 0.8, which is a commonly used as benchmark to detect multi-collinearity problem.

**Table 2: Pairwise Correlation Matrix**

	<b>RGDP</b>	<b>VAT</b>	<b>CED</b>	<b>INT</b>	<b>EXR</b>
<b>RGDP</b>	1.0				
<b>VAT</b>	-0.10	1.0			
<b>CED</b>	-0.18	0.64	1.0		
<b>INT</b>	0.62	-0.39	-0.29	1.0	
<b>EXR</b>	-0.04	0.63	0.04	-0.19	1.0

**Source: Authors' Computation (2022)**

All the correlation coefficients in the model are considerably below 0.8, indicating that there is no serious multi-collinearity in the model.

**Table 3: Augmented Dickey-Fuller (ADF) Unit Root Test**

	<b>At level</b>			<b>At First Difference</b>			
<b>Variables</b>	<b>T-Stat</b>	<b>Crit.V al</b>	<b>P-Val</b>	<b>T-Stat</b>	<b>Crit.V al</b>	<b>P-Val</b>	<b>Order of Integration</b>

<b>RGDP</b>	-4.12	-5.17	0.45	-	-6.18	0.00	I(1)
<b>VAT</b>	-7.65	-5.17	0.17	-	-6.18	0.00	I(0)
<b>CED</b>	-5.64	-5.17	0.01	-9.56	-6.18	0.01	I(0)
<b>INT</b>	-3.46	-5.17	0.83	-8.22	-6.18	0.00	I(1)
<b>EXR</b>	-3.99	-5.17	0.53	-	-6.18	0.00	I(1)
				13.26			

Source: Authors' Computation (2022)

The unit root results in Table 3 demonstrated that the interest rate is stationary at levels (i.e., integrated-of-order-zero series, i.e. I(0) series) at a 5% significant level. All other variables, such as RGDP, INT, and EXR, are integrated-of-order-one series, not stationary series at the level (1). Also, unit root for VAT and CED were stationary at level I(0), this indicated that there was combination of I(1) and I(0) among the variables in study model, therefore there was need to employ ARDL approach to determine long-run equilibrating connection among study variables.

#### 4.1 Result for Hypothesis One

Considering the unit root result from Table 3, the ADF shown that there mixed up of I(0 and I(1) thus called for ARDL method of analysis for hypothesis one.

#### Bounds Tests Approach to Co-integration for Hypothesis One

**Table 4: ARDL Bounds Test Approach**

<b>RGDP</b>	<b>Bound 1(0)</b>	<b>Bound 1(1)</b>
	5.23	6.13
<b>F-Stat</b>	7.14	9.02
<b>K</b>	2	

Source: Authors' Computation (2022)

Table 4 depicted the two independent variables in the model for hypothesis one, the F-statistic value of the bound test is 9.02. At a 5% significance level, the model's I(0) and I(1) bounds are 5.23 and 6.13, respectively. Thus indicating co-integration.

**Table 5: ARDL Results**

Short Run Error Correction

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(LOGRGDP(-1))	0.214	0.025	2.673	0.091
D(LOGVAT (-1))	1.359	0.063	2.923	0.021
D(LOGCED)	5.209	1.021	3.932	0.001
D(@TREND())	-0.001	0.035	-0.213	0.293

CointEq(-1)	-0.217	0.020	-6.291	0.021
Long Run Coefficients				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOGVAT	3.363	0.269	6.421	0.001
LOGCED	7.324	2.301	5.221	0.000
C	0.422	3.732	0.932	0.791
@TREND	0.001	0.003	0.185	0.853
R-squared	0.273			
Adjusted R-squared	0.262			
F-statistic	52.25			
Prob(F-statistic)	0.000			
Durbin-Watson stat	1.621			

**Source: Authors' Computation (2022)**

RGDP = -0.001+1.359VAT+ 5.209CED +  $\varepsilon_t$  ----- Short run model for Hypothesis One  
 RGDP = 0.442+ 3.363VAT+  $\beta_2$ 7.324+  $\varepsilon_t$  ----- Long run model for Hypothesis One  
 The short-run model indicates that both VAT and CED were major short-run determinants of Nigeria economic growth, this insinuated that VAT and CED have positive and significant effect on Nigeria economic growth with (P<5%) thus statistically significant in influencing Nigeria economic growth. The significant positive coefficient of VAT and CED indicated that 1% increase in VAT and CED led to rise in economic growth (RGDP) by about 1.36%, and 5.2%. The (cointeq) has negative and statistically significant, indicating that about 21.7% of disequilibrium is adjusted in each period (i.e., year), and equilibrium will be reached in less than three years. In the long run estimates, there exist a significant positive coefficient of VAT and CED indicates that a percentage increase in VAT and CED led to a long-run rise in RGDP (economic growth) by about 3.3% and 7.3% respectively. Thus, there exist long run relationship between VAT, CED and RGDP in Nigeria.

## 4.2 Result for Hypothesis Two

**Table 6: ARDL Bounds Test Approach**

RGDP	Bound 1(0)	Bound 1(1)
	3.12	4.25
F-Stat	4.69	4.69
K	4	

**Source: Authors' Computation (2022)**

Considering four independent variables in the model, the F-statistic value of the test is 4.69. At a 5% significance level, the model's I(0) and I(1) bounds are 3.12 and

4.25, respectively. This shown that the F-statistic of the models is bigger than the I(1) bound, indicating a long-run among study variables.

### The ARDL Co-Integration Estimates

The outcome obtainable in Table 7 established the dynamic effect of (VAT and CED), INT and EXR as control variables on economic growth in Nigeria.

**Table 7: ARDL Short Run Error Correction and Long Run Estimates**

Short Run Error Correction				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(LOGRDGP(-1))	0.119	0.101	1.178	0.242
D(LOGVAT)	0.245	22.013	0.011	0.991
D(LOGCED)	6.083	0.073	83.853	0.000
D(LOGINT)	0.144	0.007	21.713	0.000
D(LOGEXR)	-0.325	0.003	-101.15	0.000
D(@TREND())	-0.021	0.002	-0.186	0.852
CointEq(-1)	-0.676	0.067	-10.125	0.000
Long Run Coefficients				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOGVAT	0.363	32.589	0.011	0.991
LOGCED	9.004	0.965	9.327	0.000
LOGINT	0.213	0.018	11.502	0.000
LOGEXR	-0.482	0.049	-9.793	0.000
C	0.010	4.937	0.002	0.998
@TREND	0.001	0.003	0.185	0.853
R-squared	0.548			
Adjusted R-squared	0.537			
F-statistic	74.001			
Prob(F-statistic)	0.000			
Durbin-Watson stat	1.952			

**Source: Authors' Computation (2022)**

$RGDP = -0.021 + 0.245VAT + 6.083CED + 0.144INT - 0.325EXR + \varepsilon_i$  ----- Short run model for Hypothesis Two

$RGDP = 0.010 + 0.363VAT + 9.004CED + 0.213INT - 0.482EXR + \varepsilon_i$  -----Long run model for Hypothesis Two

The short-run model indicates that CED, INT and EXR were major short-run determinants of Nigeria economic growth. These shown that ( $P < 5\%$ ) thus statistically significant in influencing Nigeria economic growth. VAT was not short-run determinants of economic growth. VAT, CED and INT showed positive

signs, indicating they influence economic growth positively, but VAT was insignificant. The significant positive coefficient of VAT, CED and INT indicates that a percentage increase in VAT, CED and INT will lead to increase in economic growth (RGDP) by about 2.45%, 6.08%, 0.14%. Similarly, the significant negative coefficient of exchange rate (EXR) indicated that rise in EXR led to decline in RGDP (economic growth) by about 0.32%, and vice versa. The result also included the lag effect of RGDP which is seen to be statistically insignificant. The (cointeq) indicated that about 67.6% of disequilibrium is adjusted in each period (i.e., year), and equilibrium will be reached close to seven (7) years.

The long run indicated that rise in VAT, CED and INT led to long-run increase in RGDP (economic growth) by about 36.3%, 9.0%, and 21.3%. Similarly, the significant negative coefficient of exchange rate (EXR) indicates that a percentage point increase in EXR will lead to a long-run decline in RGDP by about 48.2%, and vice versa. This model's Adjusted R-squared is 0.537, meaning that it explains around 53.7 percent of RGDP changes. The total model is statistically significant, with an F-statistic of 74.0 and a p-value of 0.000. These factors add up to an excellent match for the model. As the model's reported value may be approximated to 2.0, the Durbin-Watson statistic suggests that the model is free of serial correlation. The findings of this study implied that Nigeria government both in the short and long runs should diversified source of national revenue apart from oil revenue and properly and efficiently utilized indirect taxes (VAT and CED) by building sound tax system to meet up national budget meant to enhance economic growth. Finally, the challenges of higher and continuous unstable exchange rate against foreign currency reduced investors' confidence on Nigeria economy therefore reduce level of investors patronage thus reduced Nigeria economic growth trend.

## **5. Conclusion and Recommendations**

The study concluded that indirect taxes (VAT and CED) with INT and EXR as control variables affect economic growth in Nigeria. This insinuate that Nigerian government should diversify economic revenue via indirect taxes which enhanced economic growth. Considering the findings, recommendations were made.

- i. Instead of using VAT for recurrent expenditure such as payment of salaries, the government should ensure that VAT revenue is adequately utilized in the supply of autonomous capital investment that will drive the economic functions and growth.

- ii. To enable economic growth through real sectors, the government should ensure that they are not charged high customs duties when acquiring raw materials from other countries.
- iii. Central Bank of Nigeria should mandate deposit money banks to fix lower interest rate or affordable interest rate so that more investors can have access to loan to invest in the stock market which in turn rise Nigeria stock market capitalization.
- iv. Central Bank of Nigeria should employ best practice of monetary policies and find means to reduce level of importation to gain stable exchange rate which will attract foreign investor to Nigeria stock market.

The finding of this study implies that Nigeria government should consciously focus on revenue generation diversification through indirect taxes because generating revenue largely from crude oil alone might jeopardize economic growth if there is oil price crisis or global oil prices crash. No country can fix global crude oil prices and most developed countries nowadays are facing out crude oil usage (i.e reducing high level of dependency on crude oil) thus reduce oil revenue for Nigeria government in the long run since Nigeria as an economy is a mono-culture oil revenue generation country. Therefore, Nigeria government or Nigeria policy makers should diversify mean of generating revenue via VAT and CED to boost economic growth. The study contributed to knowledge by serving as an eye opener to government or policy makers and tax scholars that revenue generation by Nigeria government must be diversify via indirect taxes (VAT and CED) and that there must be strict policy measures to reduce the level of indirect taxes gap revenue generation to have enough financial resources from indirect taxes to execute national budget that will enhance economic growth in Nigeria.

Lastly, the anchored theory for this study emphasized that taxes must be collected from citizens and investors for an economy to achieve economic growth and development. Therefore, this theory supported the study finding that diversifying Nigeria national revenue not only from oil but also taxes with create more economic activities and enhanced economic growth. Likewise accounting scholars and future researchers should develop globally and sound tax collection strategies that will be imbibe or employ by tax authorities so as reduced level of tax gap and enhanced efficiency in accountability of the tax revenue.

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