



## EFFECT OF TAXABLE INCOME ON UNEMPLOYMENT RATE IN NIGERIA

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### **Abstract**

*This study determined the effect of Tax Revenue on Unemployment Rate of Nigeria. Ex post facto research design was adopted. Data were collected from annual reports and accounts of the sampled banks for the periods from 2000 to 2019. Regression analysis was employed to test the hypotheses with aid of E-View 9.0. The result of the hypothesis showed that since the p-value of the test is less than 0.05, then there exists enough evidence to conclude that tax revenue has a significant effect on unemployment rate of Nigeria at 5% level of significance. This implies that the increase in tax revenue automatically leads to increase in unemployment rate. As a result, the report recommends that the government identify and close any administrative loopholes in order to optimize the contribution of customs and excise duties to economic development.*

**Keywords:** Revenue, Unemployment Rate and Economic Development

## **Introduction**

Taxation is an important source of government revenue around the world, and governments use tax revenues to carry out traditional tasks such as road construction, law and order enforcement, defense against external invasion, and trade and business regulation to preserve social and economic stability. As suggested by Okoye and Ezejiofor (2014), the principal goal of a tax system is to produce enough income to cover critical government spending on goods and services; therefore tax remains one of the finest vehicles for boosting the potential for public sector performance and debt repayment. A tax system serves as a valuable tool for mobilizing a country's internal resources and for fostering an atmosphere favourable to economic growth and development. As a result, taxation is critical in supporting a country in meeting its demands and promoting self-sufficiency. Tax revenue has contributed for a modest part of total government revenue in Nigeria over the years, compared to the majority of revenue needed for development reasons, which comes from oil (Oloidi & Oluwalana, 2014). Any government's aim to maximize revenue from taxes received from taxpaying citizens cannot be overstated. This is due to the fact that, as is widely known, the importance of taxes resides in their ability to generate income for the government, influence the consumption trends and grow and regulate economy through its influence on vital aggregate economic variables. To enable the manufacturing sector to cope with the ever-changing dynamics of the manufacturing environment, Ezejiofor, Adigwe, and Echekoba (2015) argue that the government must be responsive to changes in the tax environment and other macro-environmental issues.

Effective tax administration is as old as the concept of taxation. As early as 2350 BC, the state had to strike a balance between generating tax collections and minimizing the impact on the public. The government of any country, particularly those in developing countries, bears a tremendous amount of responsibilities. The government's ability to meet these obligations is primarily determined by the amount of revenue it generates through various means. Taxation is one of the first methods for covering the expense of delivering important services to the general public in a certain geographic area. Governments all across the world are responsible for providing basic infrastructure to their inhabitants. The government may have functions or obligations to its population that include, but are not limited to, economic stabilization, income redistribution, and the provision of public goods. It has been observed that the amount of revenue earned by the federal government through non-oil taxes in Nigeria has been drastically insufficient in relation to the country's ever-increasing social, political, and infrastructure development needs. Nigeria runs a monolithic economy which is subject to international oil price mechanism far beyond the control of the government, thereby exposing the economy to global market fluctuations, distorting budgetary projections, and renders meaningful developments improbable. The highway of economic development of most developed nations of the world is paved with revenues derived from efficient taxation system as implied by Ibadin and Oladipupo (2015). The provision of public services such as power, roads, efficient transportation system, healthcare facilities, schools, security of lives and properties and defence against internal and external aggression, are the exclusive responsibility of governments all over the world.

Over the years, gross inefficiency and leakages have limited the amount of money received from tax sources, negatively hurting the economy as well as income per capital (Oyedele, 2019). The income generated by taxation by the Federal Government of Nigeria has been woefully inadequate to fulfill the country's rising social and public spending needs in order to stimulate economic growth and development (Asaolu, Olabisi, Akinbode, Alebiosu, 2018). The tax system is characterized by tax fraud, avoidance, and record falsifications, which has

resulted in consistently low tax revenue inflows (Oyedele, 2019). The Federal Inland Revenue Service Board's inability to assure comprehensive compliance with tax rules by businesses and bring all functioning businesses within the tax net has considerably reduced tax revenue's contribution to per capita income. Furthermore, the frequency of tax evasion in the Nigerian tax system has reduced the amount of revenue collected via taxation, which has a direct impact on government spending and inflation. Despite the fact that the Petroleum Profit Tax acts as a tool for redistribution between industrialized economies that possess the technology and emerging economies where petroleum resources are produced, most of the goals of the Petroleum Profit Tax are not met in Nigeria. This is due to a number of issues, including a lack of properly qualified tax inspectors and officials, insufficient technological application, bad tax payer assessment, tax evasion and avoidance, and ineffective tax laws and regulations (Onyeyiri, 2019).

The issue over the usefulness of taxes as a tool for fostering growth and development is still unresolved, since various studies have found a mixed impact of taxes on economic development, resulting in a knowledge gap. This may be due to differences in geographic location, variables, technique scope, and statistical methods. Nadeem, Azam, and Shinwari (2015), for example, investigated the impact of tax revenues on Pakistani economic growth and discovered a positive link between the research variables. Onakoya, Afintinni, and Ogundajo (2017) used time series data to show that tax revenue and per capita income had a positive association. Sackey and Ojong (2014), on the other hand, used multiple regression analysis to show a negative relationship between personal income tax and economic development in Nigeria; Ofoegbu, Akwu, and Oliver (2016) used ordinary least square to show a negative relationship between corporate income tax and per capita income in Nigeria. Igbasan (2017) adopted co-integration analysis to document a negative relationship between the personal income tax and economic development in Nigeria. This study therefore examines the effect of Tax Revenue on Unemployment Rate of Nigeria.

### **Review of Related Literature**

The share of a country's output collected by the government through taxes is expressed as total tax revenue as a percentage of GDP. It might be viewed as one indicator of the government's control over the economy's resources. The total tax revenue received as a percentage of GDP is used to calculate the tax burden. This statistic refers to the government as a whole (all levels of government) and is expressed in millions of dollars and as a percentage of GDP (Krugman, 2012). It provides a full report on revenue received from various sources such as corporate tax, income tax, customs and excise duties, and taxes on national territories such as land revenue and stamp registration, among others. Tax income includes revenue generated from both direct and indirect taxes (Brautigam, 2019).

The company income tax is one of the several tax structures in the Nigerian economy. Taxes are payable as specified under section 8 (1) of the Companies Income Tax Act 1990 on profits of any company accruing in, derived from, brought into, or received in Nigeria in respect of, among other things, any trade or business for whatever period of time the trade or business was carried out. Companies are currently taxed at a rate of 30% of their assessable income. Developing countries must be able to generate the necessary cash to fund the services that their population desire, as well as the physical and social infrastructure that will allow them to escape poverty. In order to raise revenue, taxation will be crucial (Wambai & Hanga, 2013).

If a company's total assessable profit from all sources results in a loss in any year of assessment, or if the company's total profits result in no tax payable or tax payable that is less

than the minimum tax, the company must levy and pay a minimum tax as prescribed by subsection (2) of section 33 of CITA (Babatunde, 2019). The following are the minimal taxes that must be assessed and paid: The minimum tax is 0.5 percent of gross profit, 0.5 percent of net assets, 0.25 percent of paid-up capital, or 0.25 percent of turnover of a firm with a turnover of N500,000 or less that has been in existence for at least four calendar years. If the turnover is higher than N500,000, be whatever is payable as per any of the above, plus such additional tax on the amount by which the turnover is in excess of N500,000 at a rate which shall be 50% of the rate used above of 0.25% (Babatunde, 2019).

Company income tax is a government-imposed tax on the earnings and profits of businesses functioning in the country. The Companies Income Tax Act is the law that governs the administration of Companies Income Tax. The law, which was first passed in 1961, has been amended numerous times, the most recent being in April of 2007. The Companies Income Tax (CIT) is a tax imposed in Nigeria on the profits of registered businesses. It also covers the tax on earnings made by international corporations doing business in Nigeria. Limited liability firms, including public limited liability companies, pay the tax. As a result, it's often referred to as the corporate tax (Onyeyiri, 2019). Outside of the petroleum sector of the economy, all public limited liability firms in Nigeria are required to pay income and education taxes. For income tax, the rate is 30% of total profit, and for education tax, it is 2% of assessable profit. Profit after deducting losses carried forward from the previous year and capital allowances is referred to as total profit. Prior to subtracting capital allowances, assessable profit is derived. The Companies and Allied Matters Act (CAMA) of 2004 governs resident companies. The Federal Inland Revenue Service, which used to be known as the Federal Board of Inland Revenue (FBIR) until the enactment of the Federal Inland Revenue Establishment Act in April, 2007, which abolished the FBIR and replaced it with the Federal Inland Revenue Service (Pwc, 2019).

In place of CIT, PPT is a tax on the income of enterprises engaged in upstream petroleum operations. Petroleum profit tax (PPT) is a tax imposed on upstream oil industry operations. It's especially relevant to rents, royalties, margins, and profit-sharing provisions in oil-mining, prospecting, and exploration leases. It is Nigeria's most important tax in terms of revenue contribution, accounting for 95 percent of foreign exchange earnings and 70 percent of government revenue, respectively (Afueroh & Okoye, 2014). Every industry participating in petroleum operations is required to file a return, along with properly audited annual accounts and computations, according to Section 8 of the Petroleum Profit Tax Act (PPTA) within a specified time after the end of its accounting period. Petroleum profit tax involves the charging of tax on the incomes accruing from petroleum operations (Abdullahi, Madu & Abdullahi, 2015).

Developed and developing economies all over the world have experimented with and demonstrated that no country can fully prosper without a strong tax system. As a result, several countries have begun tax reforms and restructuring in order to build a tax system that maximizes government revenue while minimizing investment disincentives. The importance of taxing petroleum earnings cannot be overstated, as tax money received from taxing petroleum profits accounts for a significant portion of the Nigerian government's total tax revenue. Petroleum taxes are the preferred method of wealth distribution between host governments and multinational oil firms. It is a direct tax charged on the net earnings of a petroleum tax payer who is engaged in petroleum exploration and production on an annual basis (Macek & Janků, 2015). Petroleum taxation has some particular features as a result of oil industry's unique characteristics: the huge central contribution of revenue to the economy, the volatility of oil prices, the large operating and development costs, the high uncertainty

associated with petroleum geology, the specific characteristics of individual oilfields, and the possibility of re-investment. Petroleum projects have a high upfront cost, and there can be considerable time delays between the discovery of oil or gas reserves and the start of production. This complicates the task of developing and administering a petroleum tax system that strikes a balance between government and industry interests (Hunady & Orviska, 2014). The petroleum profit tax has a negative association with economic development, according to Dickson and Presley (2013) and Naomi and Sule (2015). Edame and Okoi (2014), on the other hand, discovered a link between petroleum profit tax and economic progress.

The aggregate of: (a)the proceeds of sale of all chargeable oil during that period; (b)the value of all chargeable oil disposed of in that period; (c)the value of all chargeable natural gas in that period; and all income of the industries of that period incidental to and arising from any one or more of its petroleum operations (i.e. winning or obtaining and transportation of petroleum or chargeable oil in a period); and all income of the industries of that period incidental to and arising, incidental there to and any sale of or disposal of chargeable oil by or on behalf of the industries. Companies who have no taxable profits for the year or whose profit tax is less than the minimum tax must pay the minimal tax. Companies in their first four calendar years of operation, companies in the agriculture business, and companies with at least 25% foreign equity capital are free from the minimum tax (PwC, 2019).

### **Economic Development**

Economic development is a process by which a country's economic, political, and social well-being is improved (Krueger & Myint, 2019). The process through which emerging economies become advanced economies is known as economic development. Economic development also refers to the process by which the general population's overall health, well-being, and academic level improve. There is a population shift from agriculture to industry, and eventually to services, as the development progresses. One of the outcomes of economic development, for example, is a longer average life expectancy. Improved production, literacy rates, and public education are all positive outcomes (Sen, 2019). The goal of economic development is to raise living standards. Improved living standards refer to higher levels of education and literacy, workers' income, health, and lifespans. It is the process in which an economy grows or changes and becomes more advanced, especially when both economic and social conditions are improved. Economic development is the processes in which people in a country become wealthier, healthier, better educated, and have greater access to good quality housing (Behrman, 2017).

Scholars have written extensively on the problem of unemployment and its implications for Nigeria's growth and development. Every nation's economy, according to Anyadike, Emeh, and Ukah (2012), is defined by both active and inactive populations. They discovered that individuals who are economically active are those who are willing and able to work, which includes both those who are employed and those who are unemployed. According to the International Labour Organization's contribution, the unemployed are members of the economically active population who are unemployed yet willing to work. They also include persons who have been laid off or who have willingly left their jobs (World Bank, 1999). Nigeria, according to Basse and Atan (2012), has the potential for rapid economic growth and development because to its abundant human and natural resources, yet the country's economic performance has been described as truncated, irregular, dismal, and generally unimpressed (Ekpo, 2008). The economy's poor growth performance is reflected in rising poverty, massive and graduate unemployment, skyrocketing inflation, worsening balance of payments disequilibrium, massive external debt burden, widening income disparity, and

growing fiscal imbalances, all of which reflect Nigeria's underdevelopment crises. This is why Bassey and Ekpo (1987) and Atan (2012), affirmed that all these problems are rooted in the pervasive distortions existing within the economy. Unemployment, takes a doomsday scenario in Nigeria, it develops a decade after Nigeria had her independence.

### **Empirical studies**

Okoye and Ezejiofor (2014) investigate whether e-taxation can address tax evasion and prevent tax officers in Nigeria from engaging in corrupt practices. Primary and secondary sources were used to gather information. The three hypotheses formulated were tested using the Z-test statistical tool, and the data acquired was analyzed using means and standard deviation. The findings demonstrate that E-taxation can help Enugu state increase internal income and prevent tax evasion. Another finding is that electronic taxation can help to prevent tax officers from engaging in corrupt behavior. In order to establish the impact of state government taxation on economic growth, Akenbor and Arugu (2014) researched state government taxation in Nigeria. A critical review of related literature was conducted in accordance with the foregoing. The data for this study came from the Statistical Bulletin of the Central Bank of Nigeria (CBN) over a 13-year period (1999-2012). Multiple regression analysis was used to examine the data. According to the findings, state government taxes have a major impact on Nigeria's economic growth. Ogbonna and Odoemelam (2015) evaluated the impact of taxation on Nigeria's economic progress as measured by the gross domestic product (GDP) from 2000 to 2013. With the help of SPSS version 20, the data were examined using descriptive statistics and an econometric model. The findings revealed that economic progress and the tax factors used had a strong positive and substantial association. Usman and Adegbite (2015) investigated the influence of the petroleum profit tax on Nigeria's economic growth. Using data from 1978 to 2013, the researchers looked at the direction of causality between petroleum profit tax, money supply, interest rate, inflation rate, and economic growth using the Johansen co-integration method and the Granger causality tests. The findings revealed that a petroleum profit tax had a positive significant influence on GDP in both the short and long run. From 1998 to 2014, Ojong, Ogar, and Arikpo (2016) looked at the influence of tax income on the Nigerian economy. Data was taken from the Central Bank Statistical Bulletin using a desk survey. The association between the dependent and independent variables was established using ordinary least square multiple regression models. According to the findings, there is a considerable link between petroleum profit tax and Nigerian economic growth. It was discovered that non-oil revenue has a substantial impact on the Nigerian economy's growth. The findings also found that there is no substantial link between corporate income tax and Nigerian economic growth. Etale and Bingilar (2016) investigated the impact of corporate income tax and value-added tax on Nigerian economic growth (as measured by GDP). The Statistical Bulletin of the Central Bank of Nigeria included secondary time series panel data for the years 2005 to 2014 (CBN). The data was analyzed using the Ordinary Least Squares (OLS) technique, which was based on the computer software Windows SPSS 20 version, with GDP, the dependent variable and proxy for economic growth, regressed as a function of company income tax (CIT) and value-added tax (VAT), the independent variables. According to the findings, both corporate income taxes and value-added taxes have a large positive impact on economic growth. The impact of value added tax on the Nigerian economy was investigated by Oraka, Okegbe, and Ezejiofor (2017). This study utilized an ex post facto research design. The study employed GDP, PCI, and TR to measure the Nigerian economy from 2003 to 2015. Simple regression analysis was used to assess the collected data. According to the findings, the value added tax has had little impact on the Nigerian economy's Gross Domestic Product. It was also revealed that VAT and per capital income have a negative association. Finally, we discovered that the value

added tax (VAT) has a positive association with the federal government of Nigeria's total revenue generation. The impact of the Tertiary Education Tax Fund (TETFUND) on management in Nigerian tertiary education was investigated by Oraka, Ogbodo, and Ezejiolor (2017). The hypothesis was developed in accordance with the study's aims. We used a survey and a time series study design. Financial ratios were used to gather data from the National Bureau of Statistics, which was then analyzed using regression analysis with the help of the SPSS statistical software version 20.0. The study discovered that ETF fund allocations to Nigerian Tertiary Institutions have no relationship with the enrolment ratio of Nigerian Tertiary Institutions based on the analysis. Yahaya and Bakare (2018) looked at the impact of the petroleum profit tax and corporate income tax on the Nigerian economy. Fully Modified Least Square (FMOLS) Regression Technique was used to estimate the model over a 34 year period (1981-2014) while Augmented Dickey Fuller Unit Root Test and Single Equation Co-integration Test were carried out. It was found that petroleum profit tax (PPT) and company income tax (CIT) have positive significant impact on gross domestic product (GDP) in Nigeria with the Adjusted R<sup>2</sup> of 87.6% which directly enhanced growth in Nigeria. In Nigerian deposit money banks, Udeh and Ezejiolor (2018) looked at the impact of accounting information on deferred taxation. The data was acquired from yearly reports and accounts of Nigerian deposit money institutions using an ex post facto research design. To evaluate the hypotheses, a pooled multiple regression analysis was used. According to the findings, earnings per share (EPS) and cash flow (CASHFL) have a negative impact on our dependent variable, deferred tax, but book value of equity has a statistically significant impact whereas earnings per share (EPS) and cash flow (CASHFL) do not. The impact of value added tax and customs taxes on revenue generation in Nigeria were investigated by Olaoye and Ayeni (2019). From 2000 to 2016, secondary data was obtained from the Federal Inland Revenue Service (FIRS). The estimate methodologies were Autoregressive Distributed Lag (ARDL) and Granger causality tests. The study's findings found that the F-statistics value was 2.883868, which was lower than both the lower and upper bound values of 3.79 and 4.85 at the 5% level of significance, implying that there is no long-run link between VAT, customs taxes, and revenue generation. The study found that value-added tax and customs charges have no substantial effect on revenue creation in Nigeria during the study period, and that there is no long-run association between value-added tax, customs duties, and revenue generation. The influence of tax planning on company value in listed consumer products manufacturing firms in Nigeria was studied by Umeh, Okegbe, and Ezejiolor (2020). The study used an ex-post facto research design. The study will use data from annual public financial and non-financial reports for a ten-year period from 2009 to 2018. With the help of E-View 9.0, the three hypotheses were tested using ordinary least square regression. This study discovered that the effective tax rate (ETR) has a negative influence on business value, but that this impact is small. Tax Revenue on Nigerian Per Capita Income was assessed by Ezejiolor, Oranefo, and Ndum (2021). The study used an ex-post facto research design. The Nigerian economy was made up of the population, and data for this study came from the Statistical Bulletin of the Central Bank of Nigeria (CBN) and the Federal Inland Revenue Service (FIRS). Per Capita Income (PCI), as well as customs and excise charges, were retrieved as variables. This study's data analysis was based on information gathered from CBN, FIRS, and NBS publications and statistical bulletins. The hypothesis was tested using correlation and Ordinary Least Square (OLS) regressions. Customs and excise fees have a non-significant positive influence on Nigeria's per capita income, according to data analysis. The effect of CEO duality on the effective tax rate of listed food and beverage firms is studied by Ezejiolor and Ezenwafor (2021). The study used an ex-post facto research design. During the data gathering procedure, a purposive sample strategy was used to pick nine (9) organizations. Data was gathered from the sampled companies' annual reports and accounts

from 2013 to 2019. The study's data was examined using descriptive statistics, and regression was employed with the use of the e-view, which had a 95 percent confidence level at five degrees of freedom (df). The findings suggest that CEO duality was significant and had a positive coefficient on food and beverage company tax planning in Nigeria. Nweze, Ogbodo, and Ezejiofor (2021) investigated the impact of tax revenue on Nigeria's per capita income from 2000 to 2019. Ex-post facto research design was used in this study, which used time series data. Secondary data was obtained from the National Bureau of Statistics, the Central Bank of Nigeria (CBN), the Statistical Bulletin, the Federal Inland Revenue Service (FIRS), the World Bank Statistical Bulletin, and the Central Bank of Nigeria (CBN) Statistical Bulletin (NBS). For the study variables, descriptive statistics were used, and the hypothesis was tested using Ordinary Least Square (OLS) regression analysis. The study discovered that tax collection had a strong positive impact on Nigeria's per capita income.

### Methodology

In this study, *Ex-post Facto* research design was adopted. An *ex-post facto* investigation seeks to reveal possible relationships by observing an existing condition or state of affairs and searching back in time for plausible contributing factors.

### Population of the Study

The thirty-six (36) states of the Federal Republic of Nigeria including the Federal Capital Territory, Abuja, constituted the population of this study.

### Source of Data

The nature of data for this study was essentially secondary data and is time series in nature. The data were sourced from the Central Bank of Nigeria (CBN), Statistical Bulletin, Federal Inland Revenue Service (FIRS), and National Bureau of Statistics (NBS). The extracted variables are; company income tax, petroleum profit tax, and unemployment rate.

### Model Specification

To measure the relationship between tax revenue on economic development, this study expressing the relationship in linear form using the variables, the following estimating equations were arrived at:

$$UNE_t = \beta_0 + \beta_1 CIT_t + \beta_2 PPT_t + \mu_t \quad - \quad - \quad - \quad - \quad i$$

Where:

- $\beta_0$  = Intercept
  - $\beta_1$  = Coefficient of Tax Revenue
  - $UNE_t$  = Unemployment Rate t
  - $CIT_t$  = Companies' Income Tax for period t
  - $PPT_t$  = Petroleum Profit Tax for period t
  - $\mu_t$  = error term for period t
- t denotes the annual time-period

### Method of Data Analysis

Inferential statistics of the data to be used in this study was conducted via the aid of E-View 9.0 statistical software, using: Pearson Co-efficient of Correlation and Regression analysis.

### Decision Rule

Accept the alternative hypothesis, if the P-value of the test is less than 0.05. Otherwise reject.

## Data Analysis and Results

**Table 1: Correlation matrix**

	UNR	CIT	PPT
UNR	1.000	0.309	0.385
CIT	0.309	1.000	0.630
PPT	0.385	0.630	1.000

Source: E-View 9, Correlation output, 2022

The Pearson correlation matrix result in table 1 shows that CIT, and PPT have a positive correlation with UNR as evidenced by their positive coefficient values of 0.309 and 0.385, respectively.

### Test of Hypothesis

**H<sub>0I</sub>:** Tax Revenue has no significant effect on Unemployment Rate of Nigeria.

**H<sub>1I</sub>:** Tax Revenue has significant effect on Unemployment Rate of Nigeria.

**Table 2: Ordinary Least Square regression analysis testing the relationship between CIT, PPT, and UNR**

Dependent Variable: UNR

Method: Least Squares

Date: 03/08/22 Time: 21:08

Sample: 2000 2019

Included observations: 20

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.471508	0.761146	4.560896	0.0003
CIT	4.72E-13	1.24E-12	0.381494	0.7076
PPT	5.64E-13	5.12E-13	1.101699	0.2859
R-squared	0.155508	Mean dependent var		4.642500
Adjusted R-squared	0.056156	S.D. dependent var		1.727654
S.E. of regression	1.678444	Akaike info criterion		4.011093
Sum squared resid	47.89197	Schwarz criterion		4.160452
Log likelihood	-37.11093	Hannan-Quinn criter.		4.040249
F-statistic	1.565222	Durbin-Watson stat		0.269609
Prob(F-statistic)	0.237718			

Source: E-Views 9 Regression Output, 2022

Using the above model, it is possible to determine the relationship between (CIT, PPT and UNR), an increase in the unit of the independent variables (CIT and PPT) results into a corresponding decrease in one unit of U NR, this means that a positive effect exists between the explanatory variables (PPT and CIT) and UNR. The slope coefficient shows that the probability value of (CIT, and PPT) = 0.708 and 0.286 >0.05 is greater than the critical P-value of 0.05, showing that CIT and PPT have positive significant effect on unemployment rate (UNR), implies that PPT, and CIT have no statistically significant effect with UNR at 5% significant level. Results in table 2 also indicated that the R-squared for the model is 0.155508, meaning that the regression model used for this study is a good predictor. The independent variables explained 16% of the variation in UNR. Only 84% of variation in UNR is not explained by the regression model. The Durbin-Watson value of 0.270 indicates the absence of serial correlation in the model.

### **Decision**

The p-value of the test Prob (F-statistic) = 0.238 is greater than the  $\alpha$ -value of 0.05; therefore  $H_1$  is accepted and  $H_0$  is rejected. Since the p-value of the test is less than 0.05, then there exists enough evidence to accept the null hypothesis and conclude that tax revenue has no significant effect on unemployment rate of Nigeria at 5% level of significance.

### **Conclusion and Recommendation**

This study assessed the effect of tax revenue on economic development of Nigeria for twenty (20) years period ranging from 2000-2019. According to the literature, experts have yet to achieve an agreement on the impact of tax income on economic development. The statistical analysis and interpretation of fitting regression models between tax revenue and Nigerian economic development are covered in this study. The models are designed to determine how much tax money is captured through corporate income taxes, petroleum profit taxes, and the unemployment rate, which is used as a proxy for economic progress. The data extracted for the analysis covered a period of twenty years from 2000 - 2019 for Nigeria. The result of the hypothesis showed that since the p-value of the test is less than 0.05, then there exists enough evidence to conclude that tax revenue has a significant effect on unemployment rate of Nigeria at 5% level of significance. This implies that the increase in tax revenue automatically lead to increase in unemployment rate. As a result, the report recommends that the government identify and close any administrative loopholes in order to optimize the contribution of customs and excise duties to economic development.

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