

Perceived Implications of Taxation as a Means of Government Revenue Diversification for Economic Growth and Sustainability

³Evans-Obinna, Rosemary. N, ²Agbaegbu, Charles N., &
¹Ogwo_Agu, Jacinta. N

Department of Educational Management, College of Education
Micheal Okpara University of Agriculture Umudike

Emails: ³abturker2002@yahoo.com,

²capepub@yahoo.co.uk&

¹jacinta2010@yahoo.com

Abstract

Nigerians over dependence on oil is not only responsible for the downturn in the economy but is also behind the emergence of a redundant human resource base and high level of corruption. Hence, this paper seeks to find out the implications of the application of taxation revenue as a quality source of government diversification for the growth of the Nigerian economy. A Descriptive survey research method was adopted. Two research questions were raised. Mean and Standard Deviation were used to answer the research question. A Purposive sampling techniques was used to select twenty (20) bursars from 15 secondary schools in Umuahia education zone of Abia State Government of Nigeria. An Instrument titled; 'Perceived Implications of Quality Diversification Questionnaire' (PIQDQ) was used to generate the information. The face validity of the instrument was ascertained by three (3) research experts while the reliability of the instrument was established using Pearson Moment Product with Coefficient of 0.85. The findings of the study revealed that, though Taxation besides its revenue generation capacity and can also be used as a fiscal policy tool to shape the economy but its implications are enormous considering the fact that it creates both favorable and unfavorable effects on various parameters which include: its effects on work, save and general investment, allocation of resources, income distributions, aggravates the problem of inflation and on production and growth. Thus the study recommends that all stakeholders within and outside the government, planners, different institutional managers, parents, parastatals, urban and rural areas, should sensitize the people on the importance and relevance of judicious use of progressive taxation.

Keywords: Taxation, Tax Policy, Economic Diversification, Growth and Sustainability

Introduction

Revenue accrues to government through diverse sources. These sources according to Aguolu in Zayol, Ivarave and Saka (2016) includes foreign aid and humanitarian grants, direct investments in commercial ventures, bilateral and international trade and taxation. It is common knowledge with development circle that development involves a physical reality and a state of mind. Though development process, the interactions between social, economic and institutional process must be continually sustained to meet up with the increasing future demand in terms of population growth, continuous use of natural, human and material resources. A cursory look at the poverty profile in Nigeria showed that in 2004, Nigeria

relative poverty measurement stood at 54.4% but increased to 60.9% in 2010 (Nigeria Bureau of Statistics in Evans-Obinna and Ikpekogu, 2016). It has also been observed that changes in the integrated approach to social, economic and environmental issue have not really facilitated the development goals in Nigeria, for instance, problems such as hunger, poverty, gender inequality, diseases, flooding, ethnicity, environmental pollution, child mortality, corruption, inadequate funding and lopsided income distribution have been recalled that in year 2000, the Millennium Development Goals (MDGs) were adopted by 189 member countries of the United Nations including Nigeria with a view to fast tract key developmental issues in Nigeria which include increasing the availability of basic life sustaining goods, raising the standard of people's living as well as expanding the range of economic social chance.

Sustainable development continues to be the key idea around which environment and development are structured. There are many different definitions of sustainable development coming from various disciplines and with different assumptions about the relationship between society and nature. According to Evans-Obinna *et al* (2016) sustainable development is widely accepted as a desirable policy objective amongst many institutions concerned with the future development of the resources of the globe. Most definitions of sustainable development encompass the idea that there are three interdependent pillars of sustainable development: environmental, economic and social. Development shows how growth impacts on the society by increasing the standard of life, because the central focus of development is the satisfaction of people's need and aspirations. It is important to note that, economic growth and development determines social progress as a continuous process, involving allotment and utilization of resources and progressive evolution of the society in the path of sustainable development. Sustainable development is development that meets the need of the present without compromising the ability of future generations to meet their own needs. Nwazue (2016) in essence, sustainable development is a process of change in which the exploitation of resources, the direction of investments, the orientation of technological development; and institutional change are all in harmony and enhance both current and future potential to meet human needs and aspiration ("Towards Sustainable Development, "Our Common future" 1983).

The need for diversification for sustainable human development has being acknowledged worldwide. Diversification has been a major discourse when it comes to economic advancement, business expansion, relocation from one business to another even in the political areas. Jones and George (2006) saw diversification as a strategy of expanding operations into a new business or industry and producing new goods and services. Kazmi (2008) viewed diversification as a substantial change in business definition-single or jointly in terms of customer functions, customer groups or alternative technologies of one or more of a firm's businesses. Diversification is seen by Chambers 21st Century Dictionary (2007) as engaging in something new and different activities or to branch out. The heavy dependence on oil as the main source of revenue to the economy was highly vulnerable. Other sectors were completely neglected to the extent that Nigerian began to import agricultural products

which were previously exported. To all intents and purposes, strength and weakness of Nigerian economy are tremendously being subjected to the dictates of oil revenue. Moreover, some major areas have been suggested by the experts as a possible solution which taxation is one. Although large proceeds are obtained from the domestic sales and export of petroleum products, its effect on the growth of the Nigeria economy as regards to returns and productivity is still questionable. Due to inconsistency in oil revenue as a result of persistent militant (Niger Delta Avengers) attack on oil formation and also the deep international politics, the present government has turned her search light to taxation.

Taxation revenue is basically the process of collecting taxes within a particular location. According to the business dictionary, it is a means by which government finance their expenditure by imposing charges on citizens and co-operative entities. According to Evans-Obinna and Ndieze (2017), the term taxation applies to all types of involuntary levies, from income to capital gains to estate taxes. In this regard, it can be defined as a monetary charge imposed by the government on persons, entities, transactions or properties to yield revenue. They further posited that a tax is not a voluntary payment or donation but an enforced/compulsory contribution, exacted pursuant to legislative authority.

Having provided a working definition of taxation, there is need to differentiate taxation from revenue for a proper understanding of the role of taxation in the development of the Nigeria economy. Revenue is defined as income received from all activities engaged in by the receiving entity in Government terms. It is the entire amount received from sources within and outside the government entity. Sources include proceeds from sale of crude oil, import and exercise duties, penalties, interest, fines, charges and other earnings, bonds, dividends, rates, levies, tolls, penalties and charges etc. The Nigeria tax system is expected to contribute to the well-being of all Nigerians and should directly impact on the lives of the citizens. Thus this paper sought to establish the perceived implication of taxation as a means of government revenue diversification for the economic growth and sustainability. As a result of its nature, to directly impact on the lives of the citizens.

Purpose of the Study: The study determined the perceived implications of taxation as a means of government revenue diversification for economic growth and sustainability. Specifically, the study focused on:

1. Determine the objective of taxation in achieving economic growth and stability
2. Determine the influence of taxation on economic growth and sustainability

Research Questions: The following research questions were raised to guide the study:

1. To what extent has the objective of taxation assisted to achieve economic growth and stability?
2. To what extent has taxation influenced economic growth and sustainability?

Methodology

The design for the study is descriptive survey design which seeks to investigate the perceived implications of taxation as a means of diversification for the economic growth and

sustainability from 20 bursars in 15 secondary schools in Umuahia education zone of Abia State Government of Nigeria. This design does not aim at discovering new phenomena, but concern with existing conditions, practices that prevail, point of view, effects that are being felt, or trends that are developing and the researcher does not have any intention to manipulate the study variables but to study them as they occur naturally. The study was carried out in Umuahia Education Zone of Abia State in Nigeria. The total population of the study is 20 bursars from 15 secondary schools in Umuahia education zone in Abia State Government. The sample of the study was 20 respondents drawn from the 15 secondary schools situated in Umuahia education zone of Abia State Government of Nigeria. The questionnaire was titled “Perceived Implications of Quality Diversification Questionnaire (PIQDQ). The instrument was subjected to face and content validity. The reliability estimate of the instrument was 0.85. Consequently the instrument was considered reliable enough for the study. The data collected were analyzed using mean and standard deviation.

Research Questions

Research Question 1: Towhat extent has the objective of taxation assisted to achieve economic growth and stability?

Table One: Mean and Standard Deviation rating of the responses of the respondent on the extent the objectives of taxation achieved economic growth and stability.

S/N	Items	Mean	SD	REMARKS
1	Provided fiscal responsibility and accountability.	2.68	0.71	Accepted
2	Facilitated economic growth and development.	2.78	0.93	Accepted
3	Provided the government with stable resources for the provision of public goods and services.	2.96	0.87	Accepted
4	Addressed inequalities in income distribution.	2.57	1.02	Accepted
5	Provided economic stabilization.	2.55	0.96	Accepted
	Grand mean	2.71		

Key: \bar{x} mean, SD=standard deviation, N=number of respondents.

The data on Table 1 shows that the respondents accepted all the items since their respective mean score ranged from lowest 2.55 to highest of 2.96. The items were accepted since their respective mean scores were above 2.50 mean cut-off mark.

Research Question 2: To what extent has taxation influenced economic growth and sustainability?

Table 2: Mean and Standard Deviation ratings of the responses of the respondents on the extent taxation influences economic growth

S/N	Items	\bar{x}	SD	REMARKS
1	Disincentive to work.	2.28	0.86	Rejected
2	Deterrent to save	2.18	0.36	Rejected
3	Deterrent to enterprise	2.41	0.72	Rejected
4	Economics sabotage	2.01	0.81	Rejected
5	Tax avoidance evasion	2.17	0.93	Rejected
6	Causes a much broader set of distortions.	1.14	0.81	Rejected
7	Causes a shift in the form of compensation	2.83	0.41	Accepted
8	Induces individuals to substitute tax favoured consumptions.	3.01	0.46	Accepted
9	No work on quantifying the efficiency effects of all these taxes.	2.64	0.87	Accepted
Grand mean		2.30	0.70	

Key: \bar{x} mean, SD=standard deviation, N=number of respondents.

The data on Table 2 revealed that the respondents rejected items 1, 2, 3, 4, 5, 6 since their respective mean scores ranged from lowest of 1.14 to highest of 2.28. The items were rejected, since their mean scores were below the mean cut off of 2.50. Also the data on table 2 revealed that the respondents accepted items 7, 8 and 9 with respective mean scores that ranged from lowest of 2.64 to highest of 2.83. The items were accepted since their respective mean scores were above 2.50.

Discussion of Findings

The findings of the study in Table 1 revealed that the respondents accepted all the items that explained that taxation has assisted to achieve economic growth and stability to a high extent. The acceptance of the respondents indicated that taxation has so far provided fiscal responsibility and accountability, facilitated economic growth and development, provided the government with stable resources for the provision of public good and services, addressed inequalities in income distribution and provided economic stabilization.

The findings agrees with the views of Zayol, Ivarave and Saka (2017) who posited that although taxation in the present day Nigeria may not be the most important source of revenue to the government in terms of magnitude of revenue derivable from taxation, as oil is still the most dominant source of revenue to the government. However, taxation is the most important source of revenue to the government from the view of certainty and consistency. Due to inconsistency in oil revenue as a result of persistent militant (Niger Delta Avengers) attack on oil formation and also the deep rooted international policies, the present government has turn her search light to taxation. According to Anyanwu (1993), taxation cures the ills of the society by providing socio-political needs. Supporting this view Ochei (2010), posited that political need is to avoid the lop-sided economic growth. These findings are in line with the submission of the United Nation in 2000 submitted that tax revenue contribute substantially to development. According to Adams (2001), taxation is the most important source of revenue for modern governments, typically accounting for ninety percent or more of their

income. Okon in Afuberoh, Dennis and Okoye (2014) stated to support that income tax can be regarded as a tool of fiscal policy used by government all over the world to influence positively or negatively particular type of economic activities in order to achieve desired objectives. Olotu (2012) mentioned that today, taxation is already sowing seed of transformation in many States of the Federation of Nigeria. He further cited monthly revenue increase from 275 million per month to over ₦1.6 billion per month, as is the case in Edo State. She attributed the causes to be due to increase in tax revenue.

Abiola and Asiweh (2012) also highlighted the contribution of Lagos State to government revenue generation in Nigeria. They stated that Lagos State is among a few States in Nigeria that have left a land mark in terms of independence and use internally generated revenue and finally the study of Afuberoh *et al.*, (2014) confirmed that taxation is a tool of fiscal policy used by government all over the world to influence positively or negatively particular type of economic activities in order to achieve desired government objectives such as to increase the rate of economic growth, stability and hence per capital income which leads to a higher standard of living.

Findings of the study in Table 2 revealed that the respondents rejected items 1, 2, 3, 4, 5, 6 which indicated a refusal in acceptance that taxation deter people from saving and enterprise that it is not a disincentive to work, an economic sabotage, an excuse or trick to avoid evasion, and does not cause a much broader set of distortions. Rather, accepted that taxation causes a shift in the form of compensation, induces individuals to substitute tax favoured consumption and there is no work on quantifying the efficiency effects of all the taxes. The finding is in disagreement with the views of Evans-Obinna and Ndieze (2017) who outlined disincentive to work, deterrent to save and enterprise, economic sabotage and tax avoidance/evasion as effects of taxation on the people. That taxation is the major revenue source of any government, as well as a fiscal instrument through which the government generates income to execute its programs and policies, which these reasons make it influence both the nation's economy and the individuals.

He further states that a very high tax induced on the people will discourage work as a result of low morale to work, that taxation is a reduction in current income, will reduce the individual ability to save, and that when the profit of the enterprise are taxed, it checks the spirit of enterprise and that high rate of taxes may bring about wide spread incidences of tax evasion. The findings agree with the view of (Terese, 2013) that asserts that if taxes are levied in proportion to the incomes of the individuals, it does not extract equal sacrifice. Supporting this view (Desia and Hines, 2002) noted that government should tax citizens according to the cost of services rendered to them. According to Adoge (2012), these items as accepted are true because, most of the expenditure incurred by the State cannot be fixed for each individual because it cannot be exactly determined, for example measuring the cost of service of police, armed forces, judiciary and so on to different individual. He further explained that there will be difficulty in how to divide the cost of services among individuals and if followed in this modern welfare state, the poorer will have to pay more taxes because they enjoy more benefits. Afuberoh *et al* (2014), in his study recommended that the State

government should clearly state the basic objectives of its tax system and the relationship between these objectives to assist to give tax administrators a sense of direction and make tax payer clearly the reason he/she should pay his/her tax as at when due.

Conclusion

Taxation besides its revenue generation capacity and also a fiscal policy tool to shape the economy of Nigeria has got its enormous favourable and unfavourable effects on various parameters which include its effects on work, its effect on savings and general investment, allocation of resources, income distributions etc. In the study, efforts have been made to analyze the perception of some accountants on the implications of taxation revenue as a means of diversification for economic growth and sustainability in Nigeria. Furthermore, the study considered other problems militating against effective tax administration in Nigeria to include identification of person to be assessed, identifying income for tax purposes, personal problems and low image of tax officials in the eyes of the public, attitudinal problems and cumbersome process of payment. Finally, the researcher posited that taxation despite its problems has significantly impacted on the economic growth and sustainability of Nigerian nation as a revenue generational means and diversification process. .

Recommendations

Based on the conclusion, the following recommendations were made;

1. The Federal, State and Local governments must ensure that mechanism for tax collection should be free from corruption and embezzlement.
2. The Federal, State and Local governments should urgently fully modernize and automate its tax system, improve tax payer convenience in the assessment and payment process.
3. The Federal, State and Local government should ensure that all collected revenue from either Pay As You Earn, withholding tax, value added tax etc are paid promptly into designated accounts.
4. All stakeholders within and outside the government, planners, different institutional managers, parents, parastatals, urban and rural areas, should sensitize its citizenry on the implementation and relevance of judicious use of progressive taxation.

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