

## Corporate Income Tax, A Panacea for Sustainable Economic Growth in Nigeria

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### Abstract

*This study examined corporate income tax as a panacea for sustainable economic growth in Nigeria, with emphasis on the effects of import duty and export duty on the gross domestic product (GDP) growth rate. The study adopted an ex post facto research design and relied on secondary data covering the period from 1995 to 2021. Descriptive statistics and the Johansen cointegration technique were employed for data analysis. The descriptive results showed substantial volatility in import and export duty revenues, while the GDP growth rate exhibited periods of both expansion and contraction. The Johansen cointegration results revealed the existence of one cointegrating equation between import duty and GDP growth rate, as well as between export duty and GDP growth rate, indicating significant long-run relationships. Specifically, the trace and maximum eigenvalue statistics for import duty (Trace = 6.997599, Prob. = 0.0082) and export duty (Trace = 13.85142, Prob. = 0.0002) exceeded the critical values at the 5% level of significance. The findings demonstrated that components of corporate income tax, particularly import duty and export duty, significantly influence economic growth in Nigeria. The study concluded that corporate income tax can promote sustainable economic growth if efficiently administered and effectively utilized. It therefore recommended improved tax administration, balanced trade tax policies, and prudent utilization of tax revenue to enhance Nigeria's long-term economic growth.*

**Keywords:** Corporate income tax, Import duty, Export duty, GDP growth rate, Economic growth.

**Cite:** Gozie-Onu, E. A. (2026). Corporate Income Tax, A Panacea for Sustainable Economic Growth in Nigeria. *International Review of Cooperative Business and Management*, 4(3), 113-129. <https://doi.org/10.5281/zenodo.20266081>

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## **Introduction**

Economic growth remains a central objective of fiscal policy in developing economies, particularly in Nigeria where government revenue mobilization is critical for financing development and achieving sustainability. One of the major sources of government revenue is taxation, especially corporate income tax (CIT), which plays a vital role in funding public expenditure, redistributing income, and promoting macroeconomic stability. In Nigeria, corporate income tax is imposed on the profits of registered companies and constitutes a significant component of non-oil revenue, especially in the face of fluctuating oil prices and declining oil revenue (Ierkwagh & Tijah, 2020).

Sustainable economic growth refers to a steady increase in the productive capacity of an economy without compromising future generations' ability to meet their needs. For Nigeria, achieving sustainable growth has been challenging due to overdependence on oil revenue, weak tax administration, tax evasion, corruption, and an unstable macroeconomic environment. These challenges have necessitated renewed attention toward strengthening the tax system, particularly corporate income tax, as a reliable and sustainable source of revenue (Aminu & Eluwa, 2022).

Corporate income tax contributes to economic growth by providing government with funds required for infrastructure development, education, healthcare, and industrial expansion. When effectively administered, CIT enhances capital formation, encourages investment, and promotes economic diversification. However, the effectiveness of corporate income tax in stimulating growth depends largely on how efficiently the revenue is generated and utilized (Ayeni & Cordelia, 2022). In Nigeria, issues such as tax avoidance, weak compliance, and administrative inefficiencies have limited the growth-enhancing role of corporate taxation (Jeongho & Chaechang, 2021).

In addition to corporate income tax, import and export duties are important components of indirect taxation that influence economic performance. Import duties are levied on goods brought into the country and serve dual purposes: revenue generation and protection of domestic industries. Export duties, on the other hand, are imposed on goods leaving the country and are often used to regulate trade, stabilize domestic prices, and ensure value addition before export. The interaction between these trade-related taxes and corporate income tax is crucial for understanding their combined effect on gross domestic product (GDP) growth in Nigeria (Akhor & Ekundayo, 2020).

Empirical studies have shown mixed results regarding the relationship between tax revenue and economic growth in Nigeria. While some studies report a positive relationship between tax revenue and GDP growth (Ojong et al., 2020; Ibanichuka et al., 2020), others suggest that the impact of certain taxes may be insignificant or even negative due to poor administration and inefficient utilization of funds (Akhor et al., 2020). This divergence in findings underscores the need for further empirical investigation into the role of corporate income tax and related trade duties in promoting sustainable economic growth.

Furthermore, Nigeria's tax-to-GDP ratio remains relatively low compared to other developing and emerging economies, indicating an underutilization of the tax system as a tool for economic development (Kolade & Ajogbor,

2019). Despite several tax reforms aimed at broadening the tax base and improving compliance, the expected impact on economic growth has not been fully realized. This raises critical questions about the effectiveness of corporate income tax and associated duties as instruments for sustainable growth.

Given the government's increasing reliance on non-oil revenue sources, it has become imperative to assess whether corporate income tax, alongside import and export duties, can serve as a panacea for sustainable economic growth in Nigeria. Understanding the effects of these taxes on GDP growth will provide valuable insights for policymakers on how to design and implement tax policies that foster long-term economic development. Therefore, this study examines corporate income tax as a panacea for sustainable economic growth in Nigeria, with particular emphasis on the effects of import duty and export duty on GDP growth rate.

### **Statement of the Problem**

Nigeria has continued to experience slow and unstable economic growth despite numerous fiscal and tax reforms introduced over the years. One of the fundamental challenges confronting the Nigerian economy is the inability of the government to generate sufficient and sustainable revenue to finance development projects and stimulate economic growth. Although corporate income tax is recognized as a major source of non-oil revenue, its contribution to sustainable economic growth remains questionable due to persistent structural and administrative inefficiencies within the tax system (Ierkwagh & Tijah, 2020).

Despite the existence of a large corporate sector, Nigeria's corporate income tax revenue has been relatively low when compared to the size of the economy. This situation is largely attributed to tax evasion, avoidance, weak enforcement mechanisms, inadequate tax administration, and the prevalence of informal economic activities. Consequently, the government has struggled to mobilize adequate revenue to meet its developmental obligations, resulting in poor infrastructure, high unemployment, and low industrial productivity (Ayeni & Cordelia, 2022).

Moreover, import and export duties, which are expected to complement corporate income tax in revenue generation and economic regulation, have not yielded optimal results. Excessive import dependence has undermined domestic production, while inefficient export duty policies have limited the growth of non-oil exports. These challenges have weakened the capacity of trade-related taxes to contribute meaningfully to GDP growth in Nigeria (Inyama & Ubesie, 2020).

Another major problem is the inefficient utilization of tax revenue. Even when corporate income tax and trade duties are collected, mismanagement, corruption, and lack of transparency often prevent such revenues from translating into tangible economic growth. This has raised concerns about whether corporate income tax can truly serve as a panacea for sustainable economic growth in Nigeria (Ojong et al., 2020).

Additionally, empirical evidence on the relationship between corporate income tax, import duty, export duty, and economic growth in Nigeria remains inconclusive. While some studies indicate positive effects, others report insignificant or negative relationships, thereby creating a gap in knowledge and policy direction (Akhor et al., 2020;

Miftahu & Habiba, 2022). This lack of consensus makes it difficult for policymakers to design effective tax strategies that promote sustainable economic growth.

In light of these challenges, there is a pressing need to empirically examine the extent to which corporate income tax, alongside import and export duties, contributes to gross domestic product growth in Nigeria. Addressing this problem will help determine whether corporate income tax can indeed serve as a panacea for sustainable economic growth and provide policy-relevant recommendations for improving Nigeria's tax system.

### **Objectives of the Study**

The broad objective of this research is to evaluate corporate income tax a panacea for sustainable economic growth in Nigeria. The specific objectives of this research work include the following;

- i. To evaluate the effect of import duty on gross domestic product growth rate in Nigeria
- ii. To determine the effect export duty on gross domestic product growth rate in Nigeria

### **Scope of the Study**

This study focuses on examining corporate income tax as a panacea for sustainable economic growth in Nigeria. Specifically, the study evaluates the effect of import duty and export duty on the gross domestic product (GDP) growth rate in Nigeria. The scope is limited to Nigeria and covers the analysis of tax revenue and economic growth within a defined period based on the availability of secondary data. The study concentrates on macroeconomic variables relevant to taxation and economic growth, without extending to firm-level or sector-specific analysis. The findings are intended to provide insights for fiscal policymakers, tax administrators, and economic planners in Nigeria.

### **Review of Related Literature**

#### **Conceptual Review**

#### **Economic Growth**

Economic growth refers to a sustained increase in a country's output of goods and services over time and is commonly measured using the gross domestic product (GDP) growth rate. GDP growth reflects improvements in production capacity, income levels, employment opportunities, and overall economic well-being (Brunela, 2022).

In Nigeria, achieving sustainable economic growth has been a major policy challenge due to structural weaknesses, revenue volatility, and fiscal inefficiencies. Tax revenue, particularly corporate income tax and trade-related taxes, plays a crucial role in financing growth-enhancing expenditures and reducing macroeconomic instability (Ojong et al., 2020).

Several studies have established a link between tax revenue and economic growth in Nigeria. Ibanichuka et al. (2020) and Ayeni and Cordelia (2022) found that tax revenue contributes significantly to economic development, although the magnitude of impact depends on tax administration efficiency and fiscal discipline. Thus, GDP growth rate serves as an appropriate indicator for assessing the effectiveness of corporate income tax, import duty, and export duty in promoting sustainable economic growth.

### **Gross Domestic Product (GDP)**

Gross Domestic Product (GDP) is one of the most widely used indicators for measuring the economic performance and growth of a country. It represents the total monetary value of all final goods and services produced within a country's geographical boundaries over a specified period, usually one year or a quarter. GDP serves as a comprehensive measure of a nation's economic activity and is commonly employed by policymakers, economists, and researchers to assess economic growth, productivity, and overall development (Brunela, 2022).

GDP can be measured using three main approaches: the production (output) approach, the income approach, and the expenditure approach. The production approach measures GDP by summing the value added at each stage of production across all sectors of the economy. The income approach calculates GDP by aggregating incomes earned by factors of production, including wages, rents, interest, and profits. The expenditure approach, which is most commonly used, measures GDP as the sum of consumption, investment, government spending, and net exports (exports minus imports). These approaches theoretically yield the same GDP value when accurately computed (Ojong et al., 2020).

In the context of economic growth, GDP growth rate refers to the percentage increase in GDP over a given period and is used to indicate whether an economy is expanding or contracting. A sustained increase in GDP growth rate reflects improved production capacity, higher income levels, increased employment opportunities, and enhanced standards of living. Consequently, GDP growth rate is often adopted as a proxy for economic growth in empirical studies, particularly in developing economies such as Nigeria (Ibanichuka et al., 2020).

GDP is closely linked to fiscal policy, especially taxation, as government revenue generated from taxes such as corporate income tax, import duty, and export duty directly influences public expenditure and investment. Increased tax revenue enables governments to finance infrastructure development, social services, and economic diversification initiatives, which in turn stimulate productive activities and economic growth. Studies have shown that effective tax revenue mobilization has a significant impact on GDP growth in Nigeria (Ayeni & Cordelia, 2022).

However, despite its widespread use, GDP has certain limitations as a measure of economic welfare. GDP does not capture income distribution, environmental degradation, informal economic activities, or the quality of life of citizens. In developing economies like Nigeria, where informal activities constitute a significant portion of economic transactions, GDP figures may underestimate actual economic performance. Nonetheless, GDP remains the most

reliable and standardized indicator for measuring economic growth and comparing economic performance across countries and time periods (Brunela, 2022).

In Nigeria, GDP has been used extensively to evaluate the impact of macroeconomic policies, including taxation, government spending, and trade policies. Given its ability to reflect changes in economic activity over time, GDP growth rate provides an appropriate and reliable measure for assessing the effectiveness of corporate income tax, import duty, and export duty in promoting sustainable economic growth. Therefore, GDP remains a central concept in the analysis of economic growth and fiscal policy outcomes in Nigeria.

### **Corporate Income Tax**

Corporate income tax (CIT) refers to a tax imposed by the government on the profits earned by registered companies operating within an economy. In Nigeria, corporate income tax is governed by the Companies Income Tax Act (CITA) and administered by the Federal Inland Revenue Service (FIRS). Corporate income tax serves as a major source of government revenue and a key fiscal policy instrument for influencing economic activities, investment decisions, and resource allocation (CITN, 2020).

The relevance of corporate income tax to economic growth lies in its ability to mobilize funds for public expenditure on infrastructure, education, healthcare, and other productive sectors of the economy. When effectively administered, corporate income tax enhances government capacity to stimulate economic activities, promote industrialization, and reduce excessive dependence on oil revenue (Ierkwagh & Tijah, 2020). However, weak compliance, tax evasion, and avoidance practices have undermined the revenue-generating potential of corporate income tax in Nigeria (Jeongho & Chaechang, 2021).

Empirical evidence suggests that corporate income tax can either stimulate or hinder economic growth depending on tax rates, administration efficiency, and the utilization of generated revenue. Studies such as Khadijat and Taophic (2018) and Miftahu and Habiba (2022) found that companies income tax has a significant relationship with economic growth in Nigeria, emphasizing the importance of effective tax policy design.

### **Concept of Import Duty**

Import duty is a form of indirect tax levied on goods and services brought into a country from foreign markets. In Nigeria, import duties are imposed primarily to generate revenue for the government and to protect domestic industries from excessive foreign competition. Import duty also serves as a trade policy tool for regulating the volume and composition of imports (Inyiama & Ubesie, 2020).

From an economic growth perspective, import duties can have both positive and negative effects. On the positive side, revenue generated from import duties can be channeled into productive public investments that stimulate economic growth. Additionally, higher import duties may encourage local production by making imported goods more expensive, thereby supporting domestic industries and employment generation (Akhor & Ekundayo, 2020).

Conversely, excessive import duties may increase production costs for firms that rely on imported raw materials, thereby reducing productivity and economic growth. The effectiveness of import duty in promoting economic growth therefore depends on the structure of the economy, the nature of imported goods, and the efficiency of revenue utilization. Empirical studies such as Inyiama and Ubesie (2020) and Akhor et al. (2020) reported that customs and excise duties significantly influence Nigeria's economic growth, although the direction of impact varies across periods.

### **Concept of Export Duty**

Export duty refers to taxes imposed on goods produced locally and sold outside the country. In Nigeria, export duties are less emphasized compared to import duties but are used as policy instruments to regulate the export of strategic raw materials, encourage local value addition, and stabilize domestic prices (CITN, 2020).

Export duties can contribute to economic growth by promoting industrial processing and discouraging the export of unprocessed raw materials. By encouraging value addition, export duties can enhance industrial development, employment, and foreign exchange earnings. However, excessive export duties may reduce the competitiveness of Nigerian products in the international market and discourage export-oriented production (Akhor & Ekundayo, 2020).

The impact of export duty on economic growth largely depends on how the policy aligns with broader trade and industrial objectives. In developing economies like Nigeria, well-structured export duty policies can complement corporate income tax in mobilizing revenue and fostering sustainable economic growth (Inyiama & Ubesie, 2020).

### **Relationship Between Corporate Income Tax, Import Duty, Export Duty and Economic Growth**

The relationship between corporate income tax, import duty, export duty, and economic growth is rooted in fiscal policy theory, which posits that government revenue generated through taxation influences economic performance through public spending and resource allocation. Corporate income tax directly affects business profitability, investment decisions, and production capacity, while import and export duties influence trade flows, industrial development, and revenue generation (Akhor et al., 2020).

When corporate income tax and trade duties are efficiently administered and strategically utilized, they enhance government revenue, promote infrastructure development, and stimulate economic activities, leading to improved GDP growth. However, inefficiencies in tax collection, poor policy coordination, and misallocation of tax revenue can weaken their growth-enhancing potential (Aminu & Eluwa, 2022).

Based on this conceptual framework, the study conceptualizes **GDP growth rate** as the dependent variable, while **corporate income tax**, proxied through **import duty and export duty**, serves as the independent variables influencing sustainable economic growth in Nigeria.

## **Theoretical Framework**

### **Benefit Theory of Taxation**

This study is anchored on the **Benefit Theory of Taxation**. The Benefit Theory posits that individuals and corporate entities should contribute to government revenue in proportion to the benefits they receive from public goods and services provided by the state. According to this theory, taxes paid by economic agents are viewed as payments for the use of public infrastructure, security, legal systems, and other government-provided services that support economic activities and productivity.

In the context of corporate income tax, the Benefit Theory suggests that companies operating within an economy benefit significantly from government expenditures on infrastructure, transportation networks, regulatory institutions, security, and market facilitation. As such, firms are expected to pay corporate income tax as compensation for these benefits, which in turn enables the government to reinvest tax revenue into growth-enhancing public goods. This cyclical relationship between taxation and public spending forms the foundation for sustainable economic growth.

Import duty and export duty also align with the Benefit Theory, as firms engaged in international trade rely heavily on government-provided services such as ports, customs administration, trade regulation, border security, and trade facilitation mechanisms. Importers benefit from regulated and protected markets, while exporters benefit from trade agreements, export promotion policies, and infrastructure that facilitate access to foreign markets. The payment of import and export duties is therefore justified as a contribution toward the maintenance and improvement of these services.

The theory further explains how tax revenue influences economic growth, measured in this study by gross domestic product (GDP) growth rate. When corporate income tax, import duty, and export duty are efficiently collected and judiciously utilized, government expenditure on infrastructure, education, healthcare, and industrial development increases. This leads to improved productivity, enhanced private sector performance, increased employment, and overall expansion of economic activities, which are reflected in higher GDP growth.

However, the Benefit Theory also implies that if tax revenue is poorly administered or misallocated, the expected benefits to taxpayers and the economy will not materialize. In such cases, high tax burdens without corresponding public benefits may discourage investment, reduce compliance, and negatively affect economic growth. This perspective is particularly relevant to Nigeria, where challenges such as inefficient tax administration, corruption, and weak public service delivery have limited the growth-enhancing potential of taxation.

Anchoring this study on the Benefit Theory of Taxation provides a theoretical explanation for the relationship between corporate income tax, import duty, export duty, and sustainable economic growth in Nigeria. The theory supports the study's assumption that an efficient tax system, coupled with effective utilization of tax revenue, can serve as a panacea for sustainable economic growth, as reflected in improved GDP growth rate.

## Empirical Review

Gbegi, Adebisi and Bodunde (2021) inspects the impact of oil benefit tax (PPT) on Profitability of oil and gas firms in Nigeria. Optional data were utilized from budget report of ten (10) chose oil and gas firm from 2011 to 2015. Different relapses method was use for the examination. The investigation uncovered that taxes paid by oil and gas businesses descendingly affect gainfulness of oil and gas enterprises.

Yahaya and Bakare (2022) assess the impact of oil benefit tax and friend's salary tax on Nigerian economy development. Totally Modified Least Square (FMOLS) Regression Technique was utilized to evaluate the model over a 34 years' time span (1981-2014) while Augmented Dickey Fuller Unit Root Test and Single Equation Co-Joining Test were completed. It was found that oil benefit tax (PPT) and organization pay tax (CIT) have positive basic effect on total national output (GDP) in Nigeria with the Adjusted R<sup>2</sup> of 87.6% which specifically improved development in Nigeria.

Lyndon and Paymaster (2020) studied the connection between oil benefit tax, individual salary tax and financial development in Nigeria. The primary concern analyzed the connection between oil benefit tax, individual salary tax and monetary development (go-between by genuine GDP) in Nigeria. Auxiliary time arrangement data was gathered for the period 2005 to 2014 from CBN Statistical Bulletin. The examination utilized Ordinary Least Squares (OLS) system dependent on PC programming Windows SPSS 20 form for the examination of data, where RGDP (the needy variable) was relapsed as an element of PETA and PITA (the free factors). The aftereffects of the examination demonstrated that both oil benefit tax and individual pay tax have basically positive association with monetary development.

Okoli and Afolayan (2015) moreover led an examination on the Correlation between Value Added Tax (VAT) and National Revenue in Nigeria: An ECM demonstrate. The investigation analyzes the degree to which VAT has been adding to Nigeria all out governmentally gathered income and accordingly it's situation among the other three parts. Data spreading over 1994 - 2012 sourced from Central Bank of Nigeria yearly report and CBN Statistical Bulletin were utilized. The investigation utilized an Error Correction Model (ECM) for the examination. The outcome uncovered that VAT in the second-long haul wellspring of the all-out governmentally gathered income.

In Olajide (2015) on A Combinatorial and Synergistic Analysis of Some Selected Nigerian Taxes and Economic Growth, the concentrated was on some chosen Nigerian taxes and their commitments to monetary development. The reliant variable to middle person monetary development, was recognized as the total national output (GDP). Four free factors (tax bases), were esteem included tax, (VAT), organization pay tax (CIT), oil benefit tax, (PPT) and traditions and extract (CEX) tax. A numerical blend was connected on the autonomous factors bringing about 15 econometric models. Discoveries uncovered that VAT and PPT were synergistically imperative six (6) out of eight (8) conceivable occasions. The CIT was gigantic five (5) out of eight (8) times and the last and moreover the least was important three (3) out of eight (8) times.

## Methodology

This study adopts an *ex post facto* research design, as it relies on historical data on corporate income tax-related variables and economic growth without any direct manipulation of the variables. The *ex post facto* design is

appropriate because the study examines existing relationships between tax variables and gross domestic product (GDP) growth rate in Nigeria using secondary data. The study focuses on Nigeria, examining the relationship between corporate income tax components, specifically import duty and export duty—and sustainable economic growth. Nigeria is chosen due to its persistent revenue challenges, low tax-to-GDP ratio, and the increasing relevance of non-oil revenue sources in economic growth.

The study makes use of secondary data obtained from reputable and official sources. Data on GDP growth rate were sourced from publications of the National Bureau of Statistics (NBS) and the Central Bank of Nigeria (CBN) Statistical Bulletin. Data on import duty and export duty were obtained from the Federal Inland Revenue Service (FIRS), CBN Statistical Bulletin, and relevant government fiscal reports. The use of secondary data ensures reliability, consistency, and comparability over time. To examine the relationship between corporate income tax components and economic growth, the study employs a panel regression model. The general functional relationship is expressed as:

$$GDPGR_{it} = f(IMD_{it}, EXD_{it})$$

The econometric model is specified as:

$$GDPGR_{it} = \beta_0 + \beta_1 IMD_{it} + \beta_2 EXD_{it} + \mu_{it} \dots \dots \dots 1$$

Where:

- GDPGR = Gross Domestic Product growth rate
- IMD = Import duty
- EXD = Export duty
- $\beta_0$  = Intercept
- $\beta_1, \beta_2$  = Coefficients of independent variables
- $\mu_{it}$  = Error term

The study applies panel regression analysis because it combines both cross-sectional and time-series data, thereby improving estimation efficiency and controlling for unobserved heterogeneity.

**Result and Discussions**

Table 1: Descriptive Statistics of Gross Domestic Product Growth Rate, Import Duty, and Export Duty in Nigeria

	GDPGR	IMPDTGDP	EXPDTGDP
Mean	0.114944	151.6141	309.6186
Median	0.121021	132.9752	206.1291
Maximum	0.752736	666.1489	2740.266
Minimum	-0.729191	68.61854	61.38133
Std. Dev.	0.249489	105.9675	492.0586
Skewness	-0.806947	4.120390	4.422051
Kurtosis	6.765704	20.62656	22.12214
Jarque-Bera Probability	20.28209 0.000039	457.4825 0.000000	536.3481 0.000000
Sum	3.333373	4396.810	8978.940
Sum Sq. Dev.	1.742849	314415.1	6779407.
Observations	29	29	29

The descriptive statistics in the table summarize the characteristics of gross domestic product growth rate (GDPGR), import duty (IMPDTGDP), and export duty (EXPDTGDP) for the period under study, based on 29 observations. The mean value of GDPGR is 0.114944, indicating that, on average, Nigeria recorded a modest positive GDP growth rate during the period. However, the minimum value of  $-0.729191$  shows that the economy experienced periods of contraction, while the maximum value of 0.752736 reflects periods of strong economic expansion. This wide range suggests fluctuations in Nigeria’s economic growth performance over time.

Import duty (IMPDTGDP) has a mean value of 151.6141, indicating the average level of import duty revenue during the study period. The minimum and maximum values of 68.61854 and 666.1489 respectively show substantial variation in import duty revenue over time. This variability is further confirmed by the relatively high standard deviation of 105.9675, suggesting that import duty revenue experienced significant fluctuations, possibly due to changes in trade policies, exchange rates, and import volumes.

Export duty (EXPDTGDP) recorded a higher mean value of 309.6186 compared to import duty, indicating that export duty revenue was relatively larger on average. The wide gap between the minimum value of 61.38133 and the maximum value of 2740.266 reveals extreme variations in export duty revenue over the study period. The high standard deviation of 492.0586 further confirms that export duty revenue was highly volatile, reflecting fluctuations in export volumes, commodity prices, and policy adjustments.

The skewness and kurtosis values indicate that all the variables deviate from normal distribution. GDPGR is negatively skewed ( $-0.806947$ ), implying that extreme negative growth rates occurred more frequently than extreme positive growth rates. In contrast, import duty and export duty are positively skewed, with skewness values of 4.120390 and 4.422051, indicating the presence of extreme high values. The high kurtosis values for all variables

suggest leptokurtic distributions with heavy tails. This is further confirmed by the Jarque–Bera statistics and their probability values, all of which are less than 0.05, indicating that the series are not normally distributed.

Table 2: Hypothesis one

Date: 02/08/25 Time: 15:00  
 Sample (adjusted): 1995 2021  
 Included observations: 27 after adjustments  
 Trend assumption: Linear deterministic trend  
 Series: IMPDTGDP  
 Lags interval (in first differences): 1 to 1

Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.228308	6.997599	3.841466	0.0082

Trace test indicates 1 cointegratingeqn(s) at the 0.05 level

\* denotes rejection of the hypothesis at the 0.05 level

\*\*MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None *	0.228308	6.997599	3.841466	0.0082

Max-eigenvalue test indicates 1 cointegratingeqn(s) at the 0.05 level

\* denotes rejection of the hypothesis at the 0.05 level

\*\*MacKinnon-Haug-Michelis (1999) p-values

The Johansen cointegration test result presented in Table 2 examines the long-run relationship between import duty and gross domestic product (GDP) growth rate in Nigeria for the period 1995 to 2021. The trace statistic value of 6.997599 is greater than the critical value of 3.841466 at the 5% level of significance, with a probability value of 0.0082, which is less than 0.05. This indicates that the null hypothesis of no cointegration is rejected. The result suggests the existence of one cointegrating equation between import duty and GDP growth rate.

Similarly, the maximum eigenvalue statistic of 6.997599 also exceeds the 5% critical value of 3.841466, with a probability value of 0.0082. This further confirms the presence of a long-run equilibrium relationship between import duty and GDP growth rate in Nigeria. The consistency between the trace and maximum eigenvalue tests strengthens the reliability of the result.

The implication of this finding is that changes in import duty have a significant long-run relationship with economic growth in Nigeria. This means that import duty policies influence GDP growth over time, either positively or negatively, depending on how such duties are structured and utilized. Hence, import duty plays an important role in Nigeria’s economic growth process.

The null hypothesis which states that *import duty does not have a significant effect on gross domestic product growth rate in Nigeria* is rejected. The alternative hypothesis is accepted, indicating that import duty has a significant long-run effect on GDP growth rate in Nigeria.

Table 3: Hypothesis Two

Date: 02/08/25 Time: 15:01  
 Sample (adjusted): 1995 2021  
 Included observations: 27 after adjustments  
 Trend assumption: Linear deterministic trend  
 Series: EXPDTGDP  
 Lags interval (in first differences): 1 to 1

Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.401313	13.85142	3.841466	0.0002

Trace test indicates 1 cointegratingeqn(s) at the 0.05 level  
 \* denotes rejection of the hypothesis at the 0.05 level  
 \*\*MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None *	0.401313	13.85142	3.841466	0.0002

Max-eigenvalue test indicates 1 cointegratingeqn(s) at the 0.05 level  
 \* denotes rejection of the hypothesis at the 0.05 level  
 \*\*MacKinnon-Haug-Michelis (1999) p-values

Table 3 presents the Johansen cointegration test results for export duty and gross domestic product (GDP) growth rate in Nigeria over the period 1995 to 2021. The trace statistic value of 13.85142 is higher than the 5% critical value of 3.841466, with a probability value of 0.0002, which is statistically significant. This result indicates the rejection of the null hypothesis of no cointegration and confirms the existence of one cointegrating relationship between export duty and GDP growth rate.

The maximum eigenvalue test further supports this result, as the calculated maximum eigenvalue statistic of 13.85142 exceeds the critical value of 3.841466 at the 5% significance level, with a probability value of 0.0002. This confirms that export duty and GDP growth rate move together in the long run and share a stable equilibrium relationship.

The finding implies that export duty has a significant long-run relationship with economic growth in Nigeria. This suggests that export duty policies influence GDP growth by affecting export performance, foreign exchange earnings, and domestic production activities. Properly designed export duty policies can therefore contribute meaningfully to sustainable economic growth in Nigeria.

The null hypothesis which states that export duty does not have a significant effect on gross domestic product growth rate in Nigeria is rejected. The alternative hypothesis is accepted, indicating that export duty has a significant long-run effect on GDP growth rate in Nigeria.

### **Discussion of Findings**

This study examined corporate income tax as a panacea for sustainable economic growth in Nigeria, with specific emphasis on the effects of import duty and export duty on gross domestic product (GDP) growth rate. The findings from the Johansen cointegration tests revealed that both import duty and export duty have significant long-run relationships with GDP growth rate in Nigeria.

The finding that import duty has a significant long-run effect on GDP growth is consistent with several empirical studies reviewed. Akhor and Ekundayo (2020) as well as Inyama and Ubesie (2020) found that customs and excise duties significantly influence Nigeria's economic growth. The result supports the view that import duties serve as a vital revenue source for government and a policy tool for protecting domestic industries. However, excessive import duties may also increase production costs for firms relying on imported inputs. Thus, the significant relationship observed suggests that import duty policies play a crucial role in shaping Nigeria's growth trajectory, depending on how effectively they are structured and utilized.

Similarly, the finding that export duty has a significant long-run relationship with GDP growth aligns with earlier studies emphasizing the importance of trade-related taxes in economic development. Olajide (2015) found that customs and excise duties contribute meaningfully to economic growth when combined with other tax instruments. The significance of export duty in this study implies that export-related tax policies influence economic growth through their effects on export performance, foreign exchange earnings, and domestic value addition. This supports the argument that export duty, when properly designed, can encourage industrial processing and sustainable economic expansion.

Overall, the findings of this study corroborate the conclusions of Yahaya and Bakare (2022), who found that company income tax and petroleum profit tax positively and significantly affect economic growth in Nigeria. The results further support the Benefit Theory of Taxation, which posits that taxes paid by firms are justified when government effectively uses the revenue to provide infrastructure and services that stimulate economic activity. The significant long-run relationships observed indicate that corporate income tax components, particularly import and export duties, are important drivers of sustainable economic growth in Nigeria.

### **Summary of Findings**

Based on the analysis carried out in this study, the following key findings were made:

- i. Import duty has a significant long-run relationship with gross domestic product growth rate in Nigeria. This implies that import duty policies significantly influence Nigeria's economic growth over time.

- ii. Export duty also has a significant long-run relationship with gross domestic product growth rate in Nigeria, indicating that export duty policies play an important role in shaping economic performance.

### **Conclusion**

This study investigated corporate income tax as a panacea for sustainable economic growth in Nigeria, with particular focus on the effects of import duty and export duty on GDP growth rate. The empirical evidence from the Johansen cointegration analysis confirmed that both import duty and export duty have significant long-run relationships with economic growth in Nigeria.

The results indicate that corporate income tax–related trade taxes contribute meaningfully to Nigeria’s economic growth by providing government with revenue for development and influencing trade and production activities. However, the effectiveness of these taxes in promoting sustainable growth depends largely on sound policy design, efficient administration, and transparent utilization of tax revenue.

Consequently, the study concludes that corporate income tax, through its components such as import and export duties, can serve as a viable panacea for sustainable economic growth in Nigeria if properly managed and aligned with broader economic development objectives.

### **Recommendations**

Based on the findings and conclusions of this study, the following recommendations are made:

- i. Government should design balanced import duty policies that protect local industries without excessively increasing production costs for firms that depend on imported inputs.
- ii. Export duty policies should be structured to encourage value addition and discourage the export of unprocessed raw materials, thereby enhancing industrial growth and foreign exchange earnings.

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