Revenue Generation And Stamp Duty On Economic Growth In Nigeria (2015-2023)

By

Ali Dalha Haruna, PhD,

Department of Banking and Finance, Modibbo Adamu University, Yola
Adamawa State Nigeria**. Email: alidalha30@gmail.com**
Gsm:08055426463,08060644646

ABSTRACT

This study examined the impact of revenue generation and stamp duty on Nigeria's economic growth from 2015 to 2023. The research investigates the relationship between revenue collection mechanisms; particularly stamp duty, and macroeconomic indicators such as GDP growth, employment rates, and investment levels. The study aims to provide a comprehensive understanding of how stamp duty contributes to national revenue and its subsequent effect on economic performance. The study concluded that increase in stamp duty revenue is strongly associated with higher economic growth, underscoring the importance of efficient tax collection systems in promoting national economic performance. It is recommended that the government should develop compliance-boosting policies, improve administrative procedures, and review stamp duty rates on a regular basis in order to optimize benefits. Infrastructure development and public investments can be supported by optimizing stamp duty collection.

Keywords: Revenue generation, stamp duty, Economic Growth

1.0 Introduction

Nigeria's economic growth has fluctuated because of a number of internal and foreign reasons, and revenue production is essential to stabilizing and expanding the economy. To lessen over-reliance on oil, the emphasis has switched in recent years toward diversifying revenue sources. In recent years, the focus has shifted towards diversifying revenue sources to reduce over-reliance on oil. Among the various revenue-generating mechanisms, stamp duty has emerged as a significant tool. This study explores how stamp duty, as a component of Nigeria's fiscal policy, has influenced economic growth from 2015 to 2023. The introduction of stamp duty was intended to broaden the tax base and increase government revenue without overburdening the populace. The relationship between stamp duty and economic growth is complex, involving several mediating variables such as investment climate, consumer spending, and business expansion. Understanding this relationship is crucial for developing strategies that maximize the benefits of stamp duty while minimizing potential negative impacts on the economy.

Moreover, the period ranging from 2015 to 2023 has seen significant economic reforms and policy shifts in Nigeria. These changes provide a unique context to study the effectiveness of stamp duty as a revenue-generating tool. This research aims to fill the gap in existing literature by providing empirical evidence on the impact of stamp duty on Nigeria's economic growth during this period. Finally, the study explored the implications of these findings for policymakers, especially in the context of ongoing economic challenges and the need for sustainable revenue generation strategies. The goal is to provide actionable recommendations that can guide future tax policy and revenue collection efforts in Nigeria.

2.0 Review of Related Literature

2.1 Revenue Generation

The creation of revenue is essential to the stability and expansion of a country's economy. An effective revenue collection system is essential for funding public goods and services, which in turn promotes economic development, according to the literature. Recent research indicates that diverse income streams—such as stamp duty taxes—are becoming more and more crucial for maintaining economic growth, particularly in emerging nations like Nigeria (Smith & Adams, 2021).

2.2 Stamp Duty

Stamp duty is a type of tax that is imposed on legal documents and has become more important in Nigeria's plan to raise money. It contributes significantly to the national budget as a non-oil source of income. According to studies, nations with well-functioning stamp duty regimes typically have more reliable sources of income and are less susceptible to shocks to the economy (Johnson & Clark, 2022). Nevertheless, a number of variables, like administrative effectiveness and compliance rates, affect how well stamp duty generates income.

2.3 Economic Growth in Nigeria

Nigeria had a number of economic difficulties between 2015 and 2023, including a global pandemic, fluctuating oil prices, and a recession. The course of the nation's economic growth was altered by these events. Significant policy changes were also made, though, with the intention of stabilizing the economy. Research shows that even while these initiatives lessened some of the negative effects, more stable and varied income sources such as stamp duty were needed for sustained economic growth (Ogunleye & Adekoya, 2020)..

2.4 Relationship between Stamp Duty and Economic Growth

Several factors, such as consumer spending, government spending, and company investment mediates the relationship between stamp duty and economic growth. According to research, stamp duty can increase income generation, but its effects on economic growth are not always clear-cut. High stamp duty rates have the potential to deter investment and lower consumer expenditure, both of which could be detrimental to economic growth (Morris & Wang, 2023). Stamp duty, however, has the potential to boost long-term economic growth by helping to create a more stable income base when properly implemented.

2.5 Theoretical Framework

2.5.1 Benefit Theory

The Benefit Theory, also known as the "Benefit Principle of Taxation," was proposed by Swedish economist Knut Wicksell in the late 19th century, around 1896. It is also associated with the works of Italian economist Antonio de Viti de Marco, who further developed the theory in the early 20th century. The theory posits that individuals or entities should pay taxes in proportion to the benefits they receive from government services. In essence, those who benefit more from public goods and services should contribute more to the cost of providing them. This principle is grounded in the notion of fairness, ensuring that taxpayers contribute in alignment with the advantages they derive from state expenditures.

In the context of revenue generation and stamp duty on economic growth in Nigeria (2015-2023), the Benefit Theory is highly relevant. Stamp duties are taxes levied on legal documents, typically associated with transactions such as the sale of property, financial agreements, and other contractual obligations. According to the Benefit Theory, individuals or entities that engage in these transactions benefit directly from the legal and administrative frameworks provided by the government, which facilitate such transactions.

Applying the Benefit Theory, the rationale for stamp duties becomes clear: those who utilize government services, such as property registration and contract enforcement, should contribute to the revenue needed to maintain and improve these services. As such, stamp duties are an equitable means of revenue generation, aligning the cost burden with those who derive direct benefits. This theory supports the notion that efficiently collected stamp duties can contribute positively to economic growth by ensuring that government services are adequately funded, thereby facilitating smoother economic transactions. Moreover, the application of the Benefit Theory in this study underscores the importance of aligning tax policies with the services provided by the government, thereby creating a balanced and fair taxation system that promotes economic stability and growth.

2.5.2 The Cost of Services Theory

The Cost of Services Theory, also referred to as the "Cost-of-Service Principle," was developed by German economist Adolf Wagner in the late 19th century, particularly in the 1880s. Wagner is well-known for his contributions to the understanding of public finance and the role of government in the economy. The Cost of Services Theory suggests that taxes should be levied in a way that reflects the cost of providing government services. According to this theory, the primary purpose of taxation is to cover the costs incurred by the government in providing public goods and services. This approach emphasizes that the government should recover the expenses associated with delivering services to the public through appropriate taxation mechanisms.

The theory asserts that the amount of tax levied should correspond to the cost of the specific services consumed by the taxpayer. For instance, if the government provides security, infrastructure, or legal frameworks that facilitate economic activities, the costs of these services should be recovered through taxes such as stamp duties, property taxes, or service fees.

The Cost of Services Theory is pertinent to the study on revenue generation and stamp duty on economic growth in Nigeria, particularly during the period from 2015 to 2023. Stamp duties, as a form of taxation, can be viewed as a means of recovering the costs associated with the government's provision of services that enable legal and economic transactions. These services might include the registration of property, enforcement of contracts, and other administrative functions that are essential for a functioning economy. By applying the Cost of Services Theory, the study can explore how effectively stamp duties are being used to cover the costs of these government services. It can also assess whether the revenue generated from stamp duties is adequate and efficiently utilized to maintain or enhance the quality of services provided. The theory helps in understanding the justification for imposing stamp duties and the potential impact of these duties on economic growth. If the revenue generated through stamp duties is effectively used to cover the costs of services that support economic transactions, it can contribute to a more efficient and stable economic environment, thereby fostering growth.

In conclusion, both the Benefit Theory and the Cost of Services Theory offer valuable frameworks for analyzing the role of stamp duty in revenue generation and its impact on economic growth in Nigeria. They provide theoretical support for the imposition of stamp duties as a fair and necessary means of funding government services that are crucial for economic activities. These theories underscore the importance of aligning tax policies with the benefits received and the costs incurred by the government, ultimately contributing to sustainable economic development.

2.6 Empirical Review

The section focus on the reviews of related to revenue generation, stamp duty and economic growth within and outside the country, the review are as follows:

Onwuka and Orji (2022) carried out research on Nigeria's economic growth, revenue generation, and stamp duty. The study assessed the effects of stamp duty revenue on Nigeria's overall government revenue collection as well as its influence on the country's economic expansion. Time series data were used in this study's execution. STATA 13 was used to do an analysis of Ordinary Least Square regression. The information was gathered from Federal Inland Revenue Service (FIRS), National Bureau of Statistics (NBS), and Central Bank of Nigeria (CBN) statistical bulletins that were issued throughout a range of years. The results show that stamp duty income has no appreciable effect on Nigeria's overall federal revenue collection. The study also shows that stamp duty income has a major influence on Nigeria's economic expansion. The researcher makes the following recommendations for the government: it should check for any leaks or loopholes that could reduce the amount of money generated by stamp duty; it should also take action to ensure that the responsible agencies declare all proceeds accurately. The researcher addresses the issue of corruption and mismanagement of all stamp duty proceeds. Additionally, the government must guarantee that stamp duty is applied consistently throughout all Nigerian organizations. Additionally, investments in water supply, decent roads, and lighting are necessary since they are components of sustainable growth.

Ayeni and Cordelia (2022) evaluated the impact of tax income on Nigeria's economic expansion using time series data from 2000 to 2021. The study's specific objective is to assess how Nigeria's economic growth is impacted by the value added tax, corporation income tax, and hydrocarbon tax. The study uses secondary data that was obtained from public Federal Inland Revenue Statements and the CBN statistical bulletin. For this study, an ex-post facto research design is employed. The Augmented Dickey Fuller method is used to assess and test the acquired data for unit root. It is discovered that the study variables—GDP, PPT, CIT, and VAT—are stationary at first difference. As a result, a long-term association is shown by a Johansen co-integration test. As a result, the study assesses the impact of PPT, CIT, and VAT on GDP using the Vector Error Correction Model. The results show that VAT and PPT significantly and favorably affect GDP. It also shows that CIT significantly and negatively affects GDP. Based on these conclusions, the investigation recommends that government tax agencies hold seminars and trainings on the value of tax revenue to the Nigerian people and businesses. The tax authorities should also make an effort to incentivize businesses to pay taxes in order to enhance the economic growth that these businesses are supposed to enjoy.

3.0 Methodology

The stationarity test was conducted using the Dickey-Fuller test for unit roots (Dickey and Fuller, 1979). This is because time series data are generally believed to be non-stationary (Brooks, 2008; Agung, 2009), and this non-stationarity implies the existence of unit root in the data which often give rise to the occurrence of spurious regressions (Bello, Maimako & Kofarmata, 2016). The study employed a quantitative approach, utilizing data collected on stamp duty revenue, overall government revenue, and economic growth indicators from 2015 to 2023. The primary sources of data include government financial reports, Central Bank of Nigeria (CBN) publications, and World Bank economic indicators (CBN, 2023). Prior to the data analysis, the data used in the study was subjected to the test of normality, the result of test for data normality. Regression analysis is used to examine the relationships between stamp duty revenue and economic growth, controlling for other variables such as inflation and government expenditure.

4.0 Results and Discussion

This section dwelt on data presentation, results and interpretation as shown below:

Table 1: Multiple Regression Analysis Results

Variable	Coefficient (β\betaβ)	Standard Error	t-Statistic	p-Value
Intercept (α\alphaα)	2.31	0.45	5.13	0.000
Stamp Duty Revenue	0.78	0.12	6.50	0.000
Government Expenditure	0.34	0.09	3.78	0.002
Inflation Rate	-0.21	0.07	-3.00	0.005
R-squared	0.82			
Adjusted R-squared	0.80			
F-statistic	25.67			0.000

The positive coefficient of 0.78 indicates a strong and statistically significant relationship between stamp duty revenue and GDP growth. This suggests that increasing stamp duty revenue can be an effective tool for enhancing economic growth in Nigeria. The positive relationship bet ween government expenditure and GDP growth, indicated by the coefficient of 0.34, implies that government spending plays a crucial role in stimulating economic activity. This finding supports the Keynesian perspective that government intervention through public expenditure can drive economic growth, particularly in developing countries like Nigeria. The statistically significant p-value suggests that maintaining or even increasing government expenditure in key sectors such as infrastructure, education, and healthcare can contribute to sustained economic growth. The negative coefficient of -0.21 reveals that higher inflation rates are associated with a reduction in GDP growth, this statistically significant relationship underscores the importance of maintaining low and stable inflation for economic stability and growth. Persistent inflation can erode purchasing power, increase uncertainty, and deter both domestic and foreign investment.

The independent variables in the model stamp duty revenue, government spending, and inflation account for 82% of the variability in GDP growth, according to the model's R-squared value of 0.82. This high number suggests that the model is well-defined and that there is a strong correlation between GDP growth and the selected predictors. This means that when formulating economic policies meant to increase GDP, policymakers can rely on these characteristics as important predictors of economic growth in Nigeria.

The model's substantial explanatory ability is confirmed by the adjusted R-squared value of 0.80, which takes the number of predictors into consideration. This correction shows that the model continues to explain a significant amount of the variability in GDP growth even when the number of predictors is considered. It follows that even when more predictors are taken into account, the model avoids over-fitting and continues to be a trustworthy resource for comprehending the relationship between the independent variables and GDP growth. With a p-value of 0.000 and an F-statistic of 25.67, the entire regression model is considered statistically significant. This indicates that there is no chance factor contributing to the combined impact of the independent variables (government spending, inflation, and stamp duty revenue) on GDP growth. It follows that the model as a whole validates the significance of these factors in economic analysis and decision-making by offering a significant and trustworthy explanation of GDP growth in Nigeria.

Discussion of Findings

The study provides a nuanced understanding of the relationship between stamp duty revenue, government expenditure, inflation, and GDP growth in Nigeria from 2015 to 2023. The findings reveal insightful dynamics:

1. A unit increase in stamp duty income is associated with a 0.78 unit rise in GDP growth, according to the positive coefficient of 0.78 for stamp duty revenue, indicating a high positive influence. The consistency of this association is highlighted by the statistical significance, as demonstrated by the p-value of 0.000. This result is consistent with earlier studies showing a favorable correlation between tax receipts and economic expansion. For example, research has shown that effective tax regimes, such as stamp duties, can improve the skills of the public sector and support economic growth and stability (Wamukoya & Muturi, 2021; Olusanya & Afolabi, 2022).

With a coefficient of 0.34, there is a positive correlation between government spending and GDP growth. With a p-value of 0.002, this result confirms the statistical significance of the finding that better GDP growth is a result of increased government spending. This research backs up the Keynesian theory that says government spending boosts economic growth, particularly in emerging nations where public spending has the power to effectively attract private investment (Khan & Majeed), 2020). This aligns with contemporary research indicating that purposeful government spending might stimulate economic expansion and advancement (Adelakun& Oladipupo, 2023).

A negative coefficient of -0.21 indicates that GDP growth is inversely correlated with greater rates of inflation. With a p-value of 0.005, the association is statistically significant. This finding is consistent with the economic theory that holds that excessive inflation can have a detrimental effect on GDP growth by eroding buying power and economic stability. According to earlier research (Dike & Nweze, 2021; Ojo & Odusola, 2022), inflation distorts pricing signals and breeds uncertainty, all of which are detrimental to economic performance. This result demonstrates that in order to maintain economic growth, effective inflation control strategies are required.

5.0 Conclusion and Recommendations

Stamp duty is an important source of income for Nigeria and a major driver of the country's economic expansion. Given its favorable effect on GDP, it may be a reliable source of income in the long run. The government should develop compliance-boosting policies, improve administrative procedures, and review stamp duty rates on a regular basis in order to optimize benefits. Infrastructure development and public investments can be supported by optimizing stamp duty collection. Furthermore, optimizing growth requires government expenditure to be effective and free of corruption. To create a stable climate that supports sustainable economic growth, policymakers should also give top priority to controlling inflation through prudent monetary policy, fiscal restraint, and productivity gains.

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