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Impact of Education Tax on Economic Development in Nigeria

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ABSTRACT

The aim of this paper was to determine the impact of education tax revenue on economic development of Nigeria within the period of 2006-2017. Specially, it investigated the extent to which tertiary education tax affects Gross Domestic Product and Human development index of Nigeria within the period of 2006-2017. Data were gathered from Federal Inland revenue service (FIRS) planning, reporting and statistic department report for various years, Central bank of Nigeria Annual statistical Bulletin and annual Reports and United Nations development program (UNDP) Annual Reports. Regression analysis and thematic analysis were employed for the analysis of the data. Findings indicate tax education tax revenue has a significant impact on economic development and thus indicates that education tax revenue is crucial aspect of government funding needed for economic developmental purposes. Education tax has a positive and strong relationship with economic development when measured on the GDP as well as HDI. The implication of this study is that Nigeria's economic development pursuit has not been adequate as it has witnessed low to medium level of development within the period examined in the face of tax revenue generated. There is need to advocate for increase in tax revenue generation and judicious use of tax revenue in order to foster economic development. In other words, there is need to ensure that revenue leakages are reduced and prudent expenditure towards economic growth and development pursuits are maintained.

Keywords: Economic development, Education Tax, Gross Domestic Product, Human Development Index, Nigeria

1: INTRODUCTION

Several economic development indicators with regard to Nigeria as a nation have not been favourable. According to Proshare (2017) reports, there are spikes in inflation, a dramatic increase in unemployment, negative and low economic growth rate as well as a substantive decrease in foreign reserves and all of these signify economic downturn for the nation. Consequently, macroeconomic objectives have not been realistic and thus Nigeria is saddled with the responsibility of evaluating and realigning fiscal policies towards attending to these negative economic indicators that could lead her to the part of economic development. In the same vein, it is argued that the Nigerian economy is currently undergoing turbulent times (though on the part of recovery) as a result of drastic and unwanted changes that have behooved it, however the rate of recovery cannot be said to be at the expected and accepted rate (Agu, Okwo, Ugwunta & Idike, 2015; Afokuyomi, 2017), therefore calls for a policy check as well as retraction on the policy thrust that has been underlined that will result in economic recovery becomes necessary.

The subject of taxation has received considerable intellectual and theoretical attention in the literature for several years. This is because the importance of tax on the economy of any nation cannot be over emphasized. The economic and social development of any country depends on the amount of revenue generated for the provision of infrastructures in that given country. And one major means of generating the amount of revenue for providing the needed infrastructure is through a well-structured tax-system (Ogbonna & Appah, 2012). Furthermore, Aguolu (2004) stated that taxation is the most important source of revenue to the government; owing to the inherent power of the government to impose taxes, the government is assured at all times of its tax revenue no matter the circumstance.

As Musgrave & Musgrave (2004) posit, the main reason for taxation however is to generate revenue that enables government finance its expenditure and to redistribute wealth which translates to financing development of the country involved. They further stated that the economic effects of tax include micro effects on the distribution of income and efficiency of resource use as well as macro effect on the level of capacity output, employment, prices, and growth. Consequently, tax revenue is a veritable means of financing economic development, as such administration, collection and remittances of tax revenue should be as effective and efficient in such a way that minimal revenue leakage is witnessed so as to have sufficient revenue for economic development. In doing this, one critical question remains though: whether the taxes collected are enough to finance the development of the country?. This is hard to tell. Nevertheless, this will, to a large extent, depend on the needs of the country as well as other factors. And if the revenue is not sufficient to finance the development as planned, then alternative sources of revenue to finance sustainable development can be sought.

Relatively, Nigeria with a budget of N4.169 trillion for the year 2017 and having increased from N3.853 trillion in 2016 with a budget deficit of N2.697; N2.204 trillion in 2017 and 2016 respectively and fiscal deficit of percentage of GDP of 2.5% and 2.2% in 2017 and 2016, show that tax revenue occupies the highest generating revenue with over 65% of the revenues coming from it (Proshare, 2017). Also, an accurate estimation of the optimal level of expenditure requires knowledge of the productivity of the tax system and that it will assist in identifying a sustainable revenue profile for the country (Unegbu & Urefin, 2011). As noted by IMF (cited in TJN, 2012), developing countries must be able to raise the revenues required to finance the services demanded by their citizens and the infrastructure (physical and social) that will enable them to move out of poverty. Taxation plays the key role in this revenue mobilization (Ordu & Anaele, 2015a). Given this background, the impact of the tax revenue on the economic development is hard to tell unless there is an empirical relationship that is explored and consequently a logical conclusion reached, hence there is the need to actually and empirically study the impact of the revenue generated on the economic well being of the nation. This is what this study intends to achieve.

Conceptual Framework

In this study the variable are identified and conceptualized. They are tax revenue which constitutes the independent variable and economic development which is dependent variable. Furthermore, indicators of economic development (measures) (Gross Domestic Product (GDP) and Human development index (HDI) are adopted as the dependent variable of analysis while Education tax (EDT) is the dimensions of Tax revenue for analysis. The diagram in figure 1.1 is used to illustrate the interaction of independent variables (Tax revenue (TR) and the dependent variables Economic development (ED).

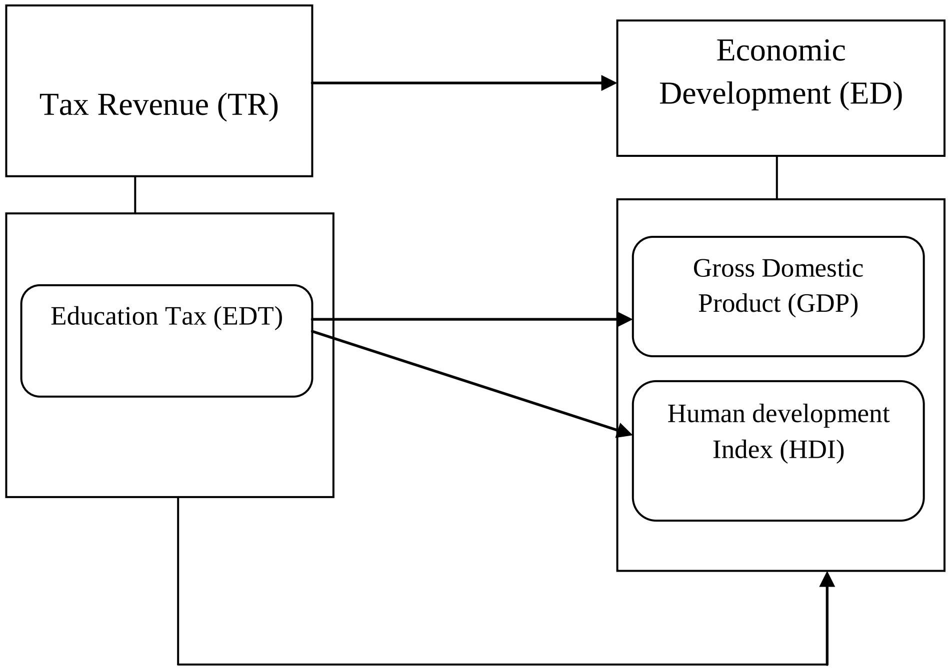


Figure 1.1: Conceptual Framework

Source: Authors design (2019)

Aim and objectives of the Study

The main aim of this study is to determine the impact of tax revenue on economic development of Nigeria within the period of 2006-2017. Other specific objectives include:

1. To ascertain whether or not Education tax affects Gross domestic product of Nigeria.
2. To evaluate whether or not education tax affects human development index in Nigeria.

Research Questions

Based on the objectives of the study, the following research questions were addressed to:

1. What extent has education tax income affects the Gross domestic product in Nigeria?
2. What extent has education tax income affect the Human development index in Nigeria?

Hypotheses

$H0_1$: There is no significant relationship between education tax income and Gross Domestic Product in Nigeria

$H0_2$: There is no significant relationship between education tax income and human development index in Nigeria.

2: LITERATURE REVIEW

Conceptual Review

Concept of Economic development:

The definition of economic development given by Todaro (1985) sees it as an increase in living standards, improvement in self-esteem needs and freedom from oppression as well as a greater choice. Although GDP is used in measuring economic development, however it is argued that the most accurate method of measuring development is the Human Development Index. HDI incorporates literacy rates, life expectancy rates as these affects productivity and as well lead to economic growth (Tadero & Smith, 2011). It also leads to the creation of more opportunities in the sectors of education, healthcare, employment and the conservation of the environment. Thus economic development can be summarized as to have taken place where there is an increase in the standard of living of the citizens, improvement in self-esteem needs and freedom from oppression as well as the citizens having a greater choice available to them (Amadoe, 2018). Although economic growth and economic development is often used interchangeably but there exist a subtle difference. Economic growth is a narrow concept than economic development. Economic growth specifically means an increase in the amount of the goods and services produced over a specific period of time and economists use an increase in country's GDP to measure economic growth. On the other hand, economic development is a sustained increased in per capital national output or net national product over a long period of time. It implies that the rate of increase in total output must be greater than the rate of population growth (Dwinvedi, 2004). As Todero & Smith (2011) assert, economic development is a policy intervention effort which aims at the economic and social well-being of people. In other words, it could be referred to as policy makers' actions which promote the health, political and social well-being of people. Common areas of development include literacy rates, life expectancy, unemployment, poverty rate etc. Thus, it is possible to have economic growth without economic development. It is argued that the Nigerian economy is currently undergoing turbulent times as a result of drastic and unwanted changes that have behooved it. Though analyst says it is recovering (Afokuyo, 2017), however the rate of recovery cannot be said to be at the expected and accepted rate. This therefore calls for a policy check as well as retraction on the policy thrust that has been underlined that will result in economic recovery. In recent times, development indicators have come to include the human capital development aside the gross domestic product as well as level of capital expenditure of the government as this set the pace on the path of provision on infrastructure that can lift the people out of poverty to a better standard of living (Amadoe, 2018). It is believed that adequate use of capital expenditure by government which is funded by tax revenue, will lead to increase in the productive sector of the economy, lead to employment creations and ultimately lead to upward movement of the GDP. Similarly, faltering nations GDP could be a signal of misplaced or wrongly channeled expenditure especially where there is high proportion of the government expenditure going to recurrent rather than toward infrastructure provisions and leading to creation of goods and services (World Bank, 2013); low economic growth seen in the forms of falling GDP will be witnessed and consequently lead to lower human development index as a result of low economic growth.

Concept of Gross Domestic Product

The gross domestic product (GDP) is one of the primary indicators used to gauge the health of a country's economy. According to the Central Bank of Nigeria (2010), GDP is the money value of goods and services produced in an economy during a period of time irrespective of the nationality of the people who produced the goods and services. It is usually calculated without making any allowance for capital consumption (or deductions for depreciation). It represents the total dollar value of all goods and services produced over a specific time period. GDP may be seen as the godfather of the indicator world. Usually, GDP is expressed as a comparison to the previous quarter or year. For example, if the year-to-year GDP is up 5%, this is thought to mean that the economy has grown by 5% over the last year. The measurement of GDP is difficult; that is why it is left to the economists (Ironkwe & Success, 2017).

Two basic calculations are used for determining GDP these are: adding up what everyone earned in a year (income approach), or by adding up what everyone spent (expenditure method). Logically, both measures should arrive at roughly the same total. The income approach on its own is calculated by adding up total compensation to employees, gross profits for incorporated and non-incorporated firms, and taxes less any subsidies. The expenditure method is the more common approach and is calculated by adding total consumption, investment, government spending and net exports. As one can imagine, economic production and growth, what GDP represents, has a large impact on nearly everyone within the economy. For example, when the economy is healthy, there is a resultant low unemployment and wage increases as businesses demand labour to meet the growing economy. As the economy continues to grow, development can be seen to take place.

Furthermore, it can be summarized to say that the GDP is a development indicator that is used to measure the national income and output of the country within a given period. The GDP is equal to the total expenditures for all goods and services produced in the country within a given period of time, usually on an annual basis (tradingeconomics.com, 2018). This indicator is critical as it is tied to government expenditure especially those that are capital in nature that can translate into production of goods and services in the nation. And these government expenditures are financed by revenues generated in the nation. When the GDP is high it signifies that the economy is growing and thus on the part of development. Similarly when the GDP is low, it signifies that the nation is faltering in developmental strides. And when the GDP is on the negative, it signifies that the economy is in recession and thus, developmental strides are retarding.

Figure 2.1: Recent GDP trend for Nigeria (Source: tradingeconomics.com, 2018)

From the chart above, it can be seen that in recent times the Nigerian GDP has been increasing having falling to a record low of 169.5 billion dollars in 2009 and then to 369.1 billion dollars in 2010 and highest of 568.5 billion dollars in 2014 and thereafter began to fall in 2015 and 2016 respectively. This signifying that economic development activities in Nigeria have not been consistent as there is a skewed movement as the trend portrays. Whilst development could be seen to have been taking place from 2009 to 2014, it seems that after that period, development has taken a retrogressive step. Needless to say that Nigerian economy has been in recession since 2015 and though believed to have recovered, but in reality the standard of living of the people have remained low and like this indicator reveals, the growth is faltering as such increase in government expenditure is needed. Perhaps a look at the growth rate could tell the extent of the recovery from recession as claimed in some quarters of government.

Figure 2.2: GDP Annual growth rate in recent times (Source: tradingeconomics.com, 2018)

From the chart above, it can be observed that between January of 2015 and January of 2018, the economic growth was witnessed in Nigeria at a faster rate in 2015 with a record of 3.96 % whilst within one year it has falling to negative figure of -0.67 in January 2016 indicating a recession in the economy. Even though it seems to be picking up, as seen in January of 2018, the rate of growth is still low compared to 2015 of the same period. In all it shows that developmental strides have been experiencing a faltering position within this short term as depicted in the chart, however looking at the long term trend (which is the overall focus of this study) will help to make more informed decisions.

Concept of Tax Revenue

A tax is a fee charged or levied by a government on a product, income, or activity. If levied or charged directly on personal or corporate income, it is regarded as a direct tax, whilst levied on the price of a good or service, it is then regarded as an indirect tax. Of course, a tax is usually imposed by an authorized legislation or else it becomes illegal if imposed on the citizenry (Okafor, 2012). Further, the Institute of Chartered Accountants of Nigeria (2006) and the Chartered Institute of Taxation of Nigeria (2002) equally defined a tax as an enforced contribution of money to government pursuant to a defined authorized legislature. Tax yields very substantial revenue to government. Thus, it has a bearing on the Gross Domestic Products (GDP) which is the standard indicator for measuring the economic well being of a nation. The nature and level of tax vary according to the economic policies adopted by the government of the day. Consequently different legislations in Nigeria allows the government tax its citizens and to increase the tax revenue. These legislations are the Personal Income Tax Amendment Act 2011, Companies Income Tax Amendment Act 2007, and the Petroleum Profit Tax Amendment Act 2004. Others are the Capital Gains Tax Amendment Act 2004, the Value Added Tax Amendment Act 2007 and the Education Tax Amendment Act 2004. The agency of the federal government in charge of the administration and collection of these taxes, (except customs/excise duties) up to April 2007 was the Federal Board of Inland Revenue (FBIR). In 2007, the board was scrapped and replaced by the Federal Inland Revenue Services (FIRS) (Ofuegbu, Akwu & Oliver, 2016). Available reports revealed that Nigeria has recorded an increase in tax revenue above the target every year. For example, reports by the Federal Inland Revenue Service (FIRS) indicates that taxation increased from N2.83 trillion to N4.71 trillion between 2010 and 2014 (Ofuegbu et al 2016), and this increase has continued even in recent times, and cuts across the various types of taxes in existence in the country. In Nigeria, there are various types of taxes in place of which the government uses as it revenue generation sources (see table 2.1).

These includes, the federally collected taxes as CIT, PIT (of those within the federal jurisdiction) , PPT, VAT, EDT, Withholding tax (WHT) as well as the state collected taxes which include the CGT (on individuals), PIT amongst others. These taxes when collected and adequately utilized could lead to betterment of the lives of the citizens through provisions of basic amenities as well as protection of lives and properties of the people.

Table 2.1 Approved taxes for collection by various jurisdictions in Nigeria

S/N	**Federal Jurisdictions**	**State Jurisdictions**	**Local jurisdictions**
1	Companies Income Tax (CIT)	Personal Income Tax (PIT) on residents of state	Tenement rate, shop and kiosk rate
2	Personal Income Tax on personnel of armed forces. police, external affairs and residents of Abuja	Road tax	Liquor license rate
3	Petroleum Profit Tax (PPT)	Betting and gaming tax	Marriage, birth and death registration
4	Value Added Tax (VAT)	Development tax	Slaughter slab fees
5	Custom duties for import and export.	Business premises registration levy	Market, major park fees.
6	Capital Gain Tax (CGT) On Corporate Bodies and Abuja residents	Capital gain tax (CGT) on individual only	Street name Registration fee excluding state owned market
7	Excise duties	Stamp duties on individuals only	Domestic animal license
8	Stamp duties on corporate bodies	Street name registration fees only	Bicycle, trucks, Wheel barrow, cars and canoe fees
9	Mining rents and royalties	Right of occupancy fees state capital only	public convenience, sewage and refuse disposal
10	Withholding tax (WHT) on companies	Market fees where market is fenced by state government	Cattle tax
11	Education Tax (EDUT) on companies only	Miscellaneous revenue e.g.	Merriment fees radio and Television license fees
12	Miscellaneous from oil sales, rent on property	Rent on property, vehicle parking fees, burial ground and religious places permit fees	Signboard and bill board advertisement permit fees.

(Source: Adapted from Anyaduba, Eragbhe & Modugu, 2012)

Tertiary Education Tax

Tertiary Education Tax (formally Education Tax) is a tax imposed on the assessable profits of all companies registered in Nigeria (including companies subject to tax under Petroleum Profits Tax Act) for the enhancement of tertiary education in Nigeria. It is established by the Tertiary Education Trust Fund (Establishment, Etc.) Act No 16, of 2011. This tax is assessed alongside the PPT or income tax liability of a company. Education tax is assessed at 2% of the assessable profits of a company (though there are already plans to increase it to 4%). For a company subject to tax under the PPTA, the education tax paid is an allowable deduction under Section 10 of the PPTA in arriving at the adjusted profits of the company for tax purposes. The Federal Inland Revenue Service is charged with the responsibility for the assessment and collection of this tax. The Primary objective of the Education Tax is to achieve restoration, rehabilitation, consolidation and development of tertiary education in Nigeria. It does this however via the Tertiary education trust fund, hence, any avoidance acts on this tax affects the ability to develop human capital in Nigeria via the educational institutions.

According to Inyiama & Nwankwo (2016), Tertiary Education Trust Fund (TET Fund) was established as an intervention agency under the TET Fund ACT - Tertiary Education Trust Fund (Establishment, etc) Act, 2011; charged with the responsibility for managing, disbursing and monitoring the education tax to public tertiary institutions in Nigeria.

In other to enable the TET Fund achieve the above objectives, TETFUND ACT, 2011 imposes a 2 percent (2%) Education Tax on the assessable profit of all registered companies in Nigeria. The Federal Inland Revenue Service (FIRS) is empowered by the Act to assess and collect Education Tax. The Fund administers the tax imposed by the Act and disburses the amount to tertiary educational institutions at Federal and State levels (Inyaiama & Nwankwo, 2016).

The mandate of the Fund as provided in Section 7(1)(a) to (e) of the TETFUND ACT, 2011 is to administer and disburse the amount in the Fund to Federal and State tertiary educational institutions, specifically for the provision and maintenance of the following:

- Essential physical infrastructure for teaching and learning
- Instructional material and equipment
- Research and publication
- Academic staff training and development
- Any other need which, in the opinion of the Board of Trustees, is critical and essential for the improvement of quality and maintenance of standards in the higher educational institutions.

TET Fund ensures that funds generated from education tax are utilized to improve the quality of education in Nigeria without direct contract awarding by:

- Providing funding for educational facilities and infrastructural development
- Promoting creative and innovative approaches to educational learning and services
- Stimulating, supporting and enhancing improvement activities in educational foundation areas like Teacher Education, Teaching Practice, Library Development.
- Championing new literacy-enhancing areas such as scientific, information and technology literacy (Inyiama & Nwankwo 2016).

Due Dates for Filing Returns: Filing of returns for Tertiary Education tax is done along with the Company or Petroleum Income Tax as the case may be. For companies engaged in petroleum operations, due date for filing is;

a) Filing of a return of estimated tax is within 2 months after the commencement of each accounting period, i.e. on or before February.

b) Filing of a final return is within 5 months after the end of the accounting period, that is, on or before May.

For companies other than those engaged in petroleum operations due date for filing is;

a) In the case of a newly registered company, either within eighteen (18) months from the date of incorporation or six (6) months from the end of the company's first accounting year whichever is earlier.

b) In the case of an existing company, within six (6) months from the end of company's accounting year.

The Penalty for failure to pay the tax due within the specified time is the unpaid tax plus a sum which is equal to 5 percent of the tax.

While tax revenue has been on the increase in Nigeria, however, the contribution of direct tax revenue has not been encouraging, thus expectations of government are being cut short. Corruption, evasion, avoidance and tax haven indicators are strongly associated with low revenue (Attila, Chambas, & Combes, 2008) and indeed, corruption functions like a tax itself. According to Adegbie & Fakunle (2011), the more citizens lack knowledge or education about taxation in the country, the greater the desire and the opportunities for tax evasion, avoidance and non-compliance with relevant tax laws. In this respect, the country will be more adversely affected because of absence of tax conscience on the part of individuals and the companies and the failure of tax administration to recognize the importance of communication and dialogue between the government and the citizens in matters relating to taxation.

Equally important is the issue associated with Multinational Companies (MNCs). As critical as it is to generate revenue from taxation of oil and gas activities from multinationals in Nigeria, tax revenue mobilization as a source of financing developmental activities in Nigeria has been a difficult issue. This is primarily because of various forms of resistance, such as evasion, avoidance and corrupt practices attending to it of which these MNCs adopts (Ordu & Anaele, 2015b). These activities are considered as sabotaging the economy and are readily presented as reasons for the underdevelopment of the country. Consequently, efforts towards improving on the means of taxation especially from the MNCs and in the critical sector such as Oil and gas sector of Nigeria will be a welcomed one. It will no doubt impact on economic development of the nation that will be seen in the better standard of living, human capital empowerment as well as provision of infrastructures that will lead to better HDI rating.

Empirical review

Ikebujo, Ibanichuka & Akani (2016), investigated the effect of tax revenue on Economic development of Nigeria for the period of 1995-2014, using HDI as the economic development variable whilst VAT, CIT and customs and excise duties revenue as dimension of government revenue. Multiple regression analysis was used for data analysis. The study revealed that government revenue has a significant relationship with human development index, further that the government revenue collected helps to improve the HDI of the nation and thus suggests that more sensitization as well as incentives be provided to tax payers to encourage them to pay their taxes so that government revenue base can increase which is used for economic development.

Ofoegbu, Akwu, & Oliver, (2016) examined the effect of tax revenue on economic development using HDI and GDP and proxies for economic development. Times series data of 2005-2014 and Ordinary Least square regression model analysis was the data analysis tool. The study revealed that a positive and significant relationship exists between tax revenue and economic development when measure on the GDP and HDI. Further, the study also revealed that HDI gives lower relationship when compared to GDP as measures of development, thus suggesting that using GDP gives a painted picture of the relationship between tax revenue and economic development in Nigeria. The study calls for judicious use of tax revenue in order to foster economic development.

Ogbonna & Ikeagwu (2017), examined the impact of taxation on economic development in Nigeria. Tax revenue was proxied as petroleum profit tax, company income tax and personal income tax while economic development was proxied as GDP and Per Capital Income (PCI). Using multiple regression analysis data was analyzed. The study revealed that the taxes proxied have positive and significant relationship with economic development when measured with GDP and PCI. It thus recommends that there should be judicious use of revenue through economic diversification, production of goods and services and job creation activities so that economic development could be witnessed on a faster pace.

From the reviewed literature it can be observed that majority of the studies indicate the existence of a significant relationship between tax revenue and economic growth necessary for development. In addition, the overwhelming majority of the studies support the use of GDP and HDI as measures of economic development and thus indicating that these indicators are veritable tools for assessing the economic wellbeing of the nation. Consequently, for the economic indicators to be on the positive side always there is need for increase revenue generated from taxation as well as judicious use of same for activities that will spur up economic development.

Theoretical framework

Social theories of development

The proponents of this theory such as Schumacher and the rest emphasize the importance of human capital in development. The social theory evolved in the wake of economic crises that threatened the western countries as well as the less developed countries in the early 50s and 60s. In other to diagnose the crisis and come up with a solution, Schumacher challenged the modern belief that "bigger is better" and replaced it with "small is beautiful" Schumacher (1973, p150). His argument was that bigness is impersonal, is insensitive, and has lust to power; smallness, on the other hand, is free, efficient, creative, enjoyable, and enduring. The most important area in which he sought to implement smallness was technology, mostly because the modern world has been shaped by it (Varma, 2003). Schumacher suggested that the less developed countries should not imitate Western technological development based on the trickle-down approach; instead, the less developed countries should embrace an alternative path of development that is less expensive and thus within reach of ordinary people but more productive than indigenous technology. With the presence of these, more productive aspect of the economy orchestrated by the availability of technological advancements and pursuit, economic development could be witnessed. It is argued that what make Schumacher's work remarkable is the philosophical themes woven around the low-cost, small-scale technology as an alternative to high-cost, large-scale technology (Varma, 2003).

The summary of the social theories is that the key to economic growth that can then lead to development was the presence of education, health, fertility and other better standard of living etc. Secondly, there is a shifted concern from the overall rate of economic growth to considerations of poverty, inequality, urbanization and other social ills. When issues such as social ills and inequality, poverty rate amongst others are in the minimum development could be said to be achieved. And what will bring out these development indicators as posits by the proponents of this theory is the availability of revenue that is judiciously utilised for same purpose. Tax revenue is the means by which these funding for development is actualized in Nigeria and in most nations of the world.

Benefit Received Theory

This theory dictates that the state should levy taxes on individuals according to the benefit they derived from government expenditure. The more benefits a person derives from the activities of the state, the more he should pay tax to the government. In other words this theory proceeds on the assumption that there is basically an exchange or contractual relationship between a tax payer and the state. The benefits theory would imply that a resident should be able to collect personal tax benefits to the extent that her tax payments to the source state exceed the money value of any source state government benefits she already receives, including infrastructure, regulated labour and capital markets, and so on (Otu & Adejumo, 2013).

According to Musgrave & Musgrave (1973), the benefit approach or theory was initially developed by Knut Wicksell (1896) and Erik Lindahl (1919), two economists of the Stockholm School, and has then been applied and furthered by several scholars including the likes of Richard Musgrave and Peggy Musgrave. It is noted that Wicksell's near-unanimity formulation of the principle was premised on a just income distribution. The approach was extended in the work of Paul Samuelson, Richard Musgrave (Hansgrugen, 2000) and others (Musgrave, 1959). It has also been applied to such subjects as tax progressivity, corporation taxes, and taxes on property or wealth (Musgrave & Musgrave, 1973; 2004). As at contemporary times, the benefits received theory is found in almost all writings regarding the issues of taxation and its benefits to not just the individual but to society at large (Bassey, 2013).

Interestingly, the benefit received theory is not without criticisms. In fact, one of the criticisms emanates from the unanimity-rule aspect of Wicksell's approach in linking taxes and expenditures which is argued to be a deviation from the study of constitutional economics in the work of James Buchanan (Buchanan, 1986), and thus cannot be adequately applied in the principle of justice. Furthermore, as Otu & Adejumo (2013) observed although the benefit received theory is intuitively attractive, there are several draw backs it has which includes the followings:

- It would be impossible to implement precisely due to the difficulty of determining the amount of government benefits, including diffuse benefits such as military protection received by each resident and nonresident taxpayer.
- It does not accord with modern understandings of income taxation. In a purely domestic context, states generally do not condition government benefits upon recipients" payment of taxes. Indeed, taxpayers receiving the largest government benefits may be those who, due to their needy circumstances, pay the least taxes.
- If state maintains a certain connection between the benefits conferred and the benefits derived. It will be against the basic principle of the tax (There is no direct quid pro quo in the case of a tax) (something for something) because there is not direct proportion of which tax is based.

- Most of the expenditure incurred by the state is for the general benefit of its citizens, it is not possible to estimate the benefit enjoyed by a particular individual every year. If we apply this principle in practice, then the poor will have to pay the heaviest taxes, because they benefit more from the services of the state. And if we get more from the poor by way of taxes, it is against the principle of justice.

Regardless of its criticisms, this theory has stood the test of time and its applicable in this context of Nigeria in the sense that if the state levy taxes on individuals according to the benefit conferred on them, it will become easier to pay tax as the more benefits a person or groups of persons derived from the activities of government the more they will be willing to pay their taxes in accordance with the provisions made by government to them. In other words, voluntary compliance could be enhanced as people will feel the impact of government activities and provisions that are brought about with the tax revenue, them more will be obliged to pay tax and even pay more.

3: METHODOLOGY

The research design of this study is explanatory, historical and corelational in nature. The focus of an explanatory research design is how to effectively explain the characteristics of a population or a social phenomenon (Saunders et al., 2007). This is usually effective where a quantitative framework is adopted for the study, where it is possible to establish the relationship or influence on one variable on the other (Kothari, 2004). Historical in nature in the sense that historical data tax revenue (education tax revenue), and economic development indicators (Gross domestic Product and Human development Index) of 12 year period are used. Furthermore, the correlational method adopted, involves the use of regression analysis, and helps to measure the relationship between two variables. It helps to ascertain whether or not a variable has an influence on the other. The population of the study consist of 57 years period (from 1960-2017) when Nigerian gained independence to year 2017 when the economic recorded a recession period. Using convenience sampling method, purposively, data of the twelve years period for education tax and GDP and HDI for the period (2006- 2017) representing fairly recent years data were chosen for the study, because it will give relatively acceptable time period of study for the research. The data for economic development for same period (2006- 2017) were also utilized Data for the study were gathered from Central bank of Nigeria (CBN) statistical bulletin, annual reports, United Nation Development Program annual reports, World Bank Reports and federal Inland Revenue Service (FIRS) website.

The data collected were analyzed using Multiple Regression Analysis and correlations coefficient guided by a regression Model to analyze the relationship of the variables identified as well as ascertain whether or not they have influence over one another. This helped in testing the hypotheses.

Model specification

Using the Ordinary Least Square multiple regression formula which states:

$Y_i = b_0 + b_1x_{1j} + b_2x_{2j} + \ldots\ldots\ldots + b_kx_{kj} + e_{j,}$ where y_i is the dependent variable from the population of the interest, $b_{0,}\ b_{1\ldots\ldots}b_k$ are the population partial regression coefficients and $X_{1j}\ X_{2j\ \ldots\ldots}X_{kj}$ are observed values of the independent variables $X_{1,}\ X_{2\ldots\ldots}X_{k,}$ respectively.

In view of the above, the following models are developed for this study:

ED = f(TRG) --------------------- (1)

GDP = f (EDT) --------- (2)

HDI = f(EDT)…………..(3)

In the linear form, Equation (2) & (3) convert to:

GDP $= b_0 + b_1(EDT) + e$

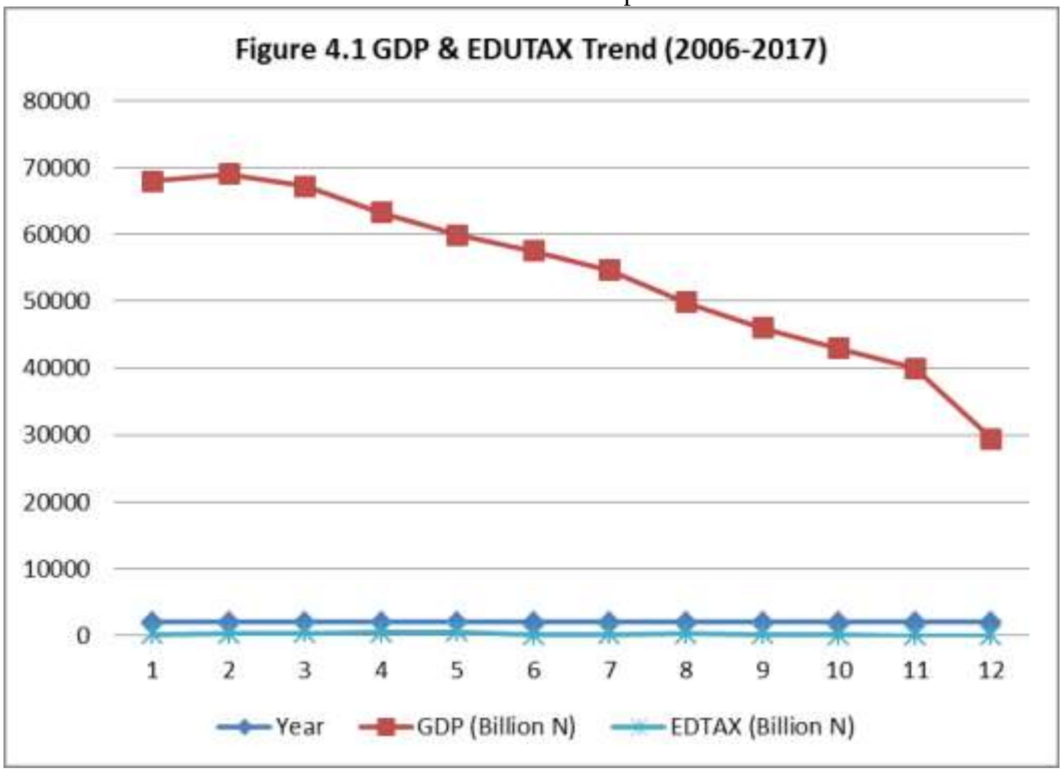
HDI $= b_0 + b_1(EDT) + e$

Using Statistical Package for Social Sciences (SPSS) software, the variables are subjected to complementary statistical test and the results used for analysis and for hypothesis verification.

4. RESULTS AND ANALYSIS

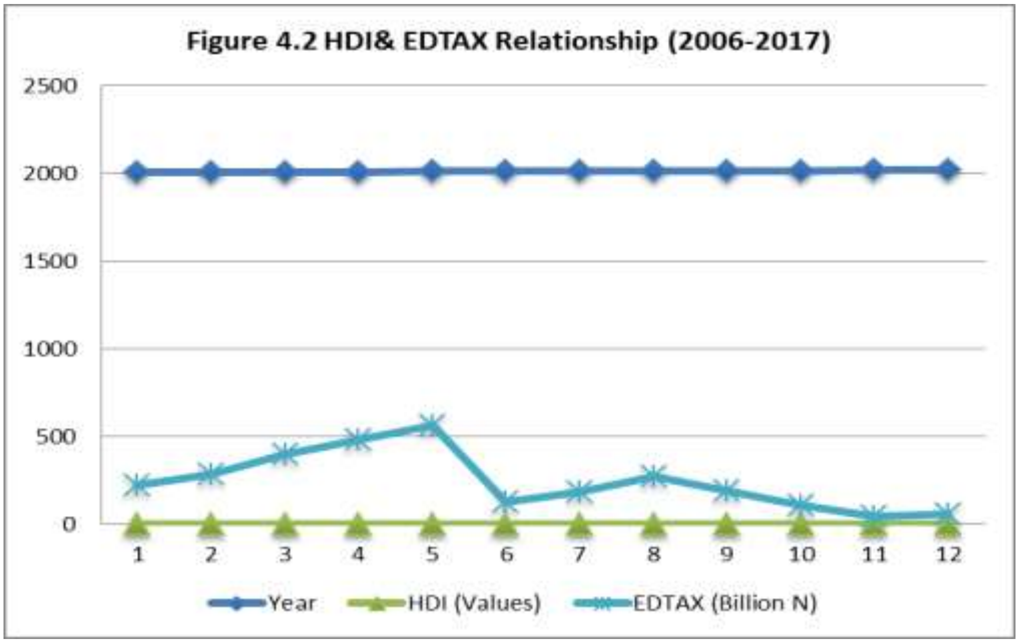
Impact of Education tax on Gross domestic product

There is an uneven relationship experienced between the education tax and gross domestic product within the period reviewed. While education tax revenue increased from 2006 to 2010, by year 2011 it began to decline as well while GDP has remained on the decline side from the year 2006 (figure 4.1). This implying that tax revenue, in the form of education tax has an impact on the GDP. In other words, with the education tax utilized in developing human capital, more productive individual will emerge in the country which will be employed and engaged in production that will lead to increase in GDP amongst others. Again this indicating that economic development has been declining within the period as such government intervention is needed to reverse the trend. It is hoped that when the revenue is channeled towards job creation, spurring up investment and increase in productive activities of the economy, an increase in GDP will be witnessed and thus economic development would be seen



Impact of Education tax on human development index

Similarly, looking at the impact of investigated tax revenues on HDI, from the chart (figure 4.2), tax revenues impacts on HDI. For example from the charts, EDT impacts on HDI in the sense that where there was increase in EDT, corresponding increase in HDI values were witnessed in Nigeria whilst when the tax revenue began to decline, a decrease in HDI values was also witnessed (see figure 4.2).



Testing of Hypothesis and Analysis

$H0_1$: There is no significant relationship between education tax income and Gross Domestic Product in Nigeria

Decision Rule: Accept Null hypothesis if calculated F Value is less than Tabulated (critical) value

Table 4: 1 Regression analysis: Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.670[a]	.448	.393	9763.537545	.860

a. Predictors: (Constant), EDTAXBillionN

b. Dependent Variable: GDPBillionN

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	774814429.621	1	774814429.621	8.128	.017[b]
	Residual	953266654.005	10	95326665.400		
	Total	1728081083.626	11			

a. Dependent Variable: GDPBillionN

b. Predictors: (Constant), EDTAXBillionN

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	41361.770	5243.678		7.888	.000		
	EDTAXBillionN	51.067	17.912	.670	2.851	.017	1.000	1.000

a. Dependent Variable: GDPBillionN

The regression table shows a significant change Figure of **0.017,** calculated value of F value **8.128** while tabulated value is **0.670** which is less than the calculated value; we therefore reject the null hypothesis one and accept the alternate hypothesis which states there is a significant relationship between education tax revenue and Gross Domestic Product in Nigeria

$H0_2$: There is no significant relationship between education tax revenue and human development index in Nigeria.

Table 4.2: Regression analysis for Hypothesis Two: Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.600[a]	.361	.297	.016030	1.798

a. Predictors: (Constant), EDTAXBillionN

b. Dependent Variable: HDIValues

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.001	1	.001	5.639	.039[b]
	Residual	.003	10	.000		
	Total	.004	11			

a. Dependent Variable: HDI Values

b. Predictors: (Constant), EDTAXBillionN

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.524	.009		60.901	.000		
	EDTAX (Billion N)	-6.984E-005	.000	-.600	-2.375	.039	1.000	1.000

a. Dependent Variable: HDI Values

The regression table 4.2 shows a significant change Figure of **0.039,** calculated value of F value **5.639** while tabulated value is **0.600** which is less than the calculated value; we therefore reject the null hypothesis two and accept the alternate hypothesis which states that there is a significant relationship between education tax revenue and human development index in Nigeria.

DISCUSSION OF FINDINGS

Based on the results obtained, all the hull hypotheses were rejected and the alternate accepted that education tax revenue has a significant and positive relationship with economic development when measured on the GDP and HDI. For $H0_1$ which was rejected based on the results obtained, it has R value of 0.670 (67%), R squared value of 0.448 (45%) of education tax and GDP in Nigeria shows that **45%** of the total variation of economic development in Nigeria in terms of Gross Domestic Product was due to the effect of education tax revenue in Nigeria within the period of study. On adjusted bases, 0.393 (39%) GDP was 39% relative to the education tax revenue generated in Nigeria within the period. The Durbin Watson (DW) is **0.860** and it is less than 2. This however shows that there is an evidence of strong and positive serial correlation between education tax revenue and GDP in Nigeria.

On the case of HDI and Education tax revenue as revealed from the results R value was 0.600 (60%), R squared **0.361** of HDI shows that **36%** of the total variation of economic development in Nigeria within the period of study was due to the effect of education tax revenue whilst **0.297** on adjusted basis, the HDI was **30%** relative to the education tax revenue in Nigeria. The Durbin Watson (DW) is **1.798** and it is less than 2. This shows that there is an evidence of positive serial correlation between education tax revenue and human development index in Nigeria.

In conclusion, the significant and positive relationship that is discovered to exist between education tax, revenue and economic development in terms of GDP and HDI implies that tax revenue when adequately utilized in terms of provision of infrastructure as well as empowerment of human capital, economic development will take place. Thus, the standard of living will increase; life expectancy as well as income level will increase. The result of this study is in line with the findings of Ibrahim & Ahmed, (2011) as well as that of Chukwunonso (2014). The study of Chukwunonso, (2014) revealed that only public health and tertiary education spending are significant in explaining human development in the developing nations such as Nigeria and that increased public spending is needed in these critical sectors in order to bring about development of human capital that will lead to enhancement of human development index of the nation.

5. CONCLUSION AND IMPLICATIONS

Conclusion

The significant and positive relationship that is discovered to exist between education tax, revenue and economic development in terms of GDP and HDI implies that tax revenue when adequately utilized in terms of provision of infrastructure as well as empowerment of human capital, economic development will take place. Thus, the standard of living will increase; life expectancy as well as income level will increase.

Implications of the Study

The implication of this study is that Nigeria's economic development pursuit has not been adequate as it has witnessed low to medium level of development within the period examined in the face of tax revenue generated. This is buttressed with the low level of HDI witnessed (average of 0.5 within the eleven years) while an index of 0.5-0.68 means medium development and index of 0.7-0.79 means high development, while index of above 0.8 means very high development (Okon, 2012). Consequently, the government needs to assess its economic growth and developmental objectives including fiscal policies and make plans to improve upon the observed short comings which will in turn improve the economy and increase Nigeria standing in international developmental indicators and rating.

i. There is need to advocate for increase in tax revenue generation and judicious use of tax revenue in order to foster economic development. In other words, there is need to ensure that revenue leakages are reduced and prudent expenditure towards economic growth and development pursuits are maintained.
ii. More sensitization as well as incentives is need for tax payers to pay their taxes so that government revenue base can increase which is used for economic development.

iii. Adequate use of tax revenue for economic diversification, production of goods and services and job creation activities is needed now so that economic development could be witnessed on a faster pace.
iv. The positive effect of tax revenue on economic development could be witnessed also faster when corruption, evasion and tax avoidance are checkmated and offenders consequently punished and thus increase in tax revenue base and judicious use of same for economic development could be achieved

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