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TAX REVENUE, ORGANIZATIONAL CULTURE, AND NIGERIAN ECONOMY: AN EMPIRICAL INVESTIGATION

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ABSTRACT

This study examined the moderating roles organisational culture has on both tax Revenue on Economic Growth in Nigeria. The study was carried out as a cross sectional survey and data analysis, which was obtained from 132 respondents from this organization, was carried out in four main stages, namely: the demographic, univariate, bivariate and multivariate. The demographic and univariate sections of the study examined using descriptive statistics the demographic features of the participants and the central tendencies of the variables. All bivariate null hypotheses were tested using the Spearman's rank order correlation coefficient at a 0.05 level of significance while the multivariate hypothesis was tested using the partial correlation technique also at a 0.05 level of significance. The results from the tests reveal that there is a significant relationship between Tax Revenue and Economic Growth in these Organizations, and also that the culture of the organization significantly moderates the relationship between the predictor and criterion variable of this study. In line with this observation it was therefore recommended that Tax Revenue within organizations should be in line with industrial standards and benchmarks, also consideration issues such as equity, timeliness and standard of payment.

Keywords: Tax Revenue, Company Income Tax, Personal Income Tax, Valued Added Tax and Economic Growth.

INTRODUCTION

Globally, tax reforms are considered as is critical tool policy makers uses to keeps a nation going, as well as a requirement to a nation's life and success, and as the air it breathes to the natural man (Akwu, & Oliver, 2016). According to Agunbiade and Idebi (2020), taxation can be described as the movement of resources from the private to the public sector in order to achieve some of a country's economic and social goals. The fundamental economic goal of developing countries is to raise the rate of growth and, as a result, per capita income, resulting in a greater standard of life. Duel (1983) identifies two significant milestones as prerequisites for achieving this goal. Taxation provides a reliable and consistent source of cash to fund development goals. Taxation plays a variety of roles in a country's development. It is utilized not just to generate revenue for the government, but also as a tool to carry out some of the government's fiscal policies. Such policies could aim to lessen societal wealth and income disparities, control inflation, and discourage the consumption of specific products. Tax income is a primary source of financial resources used by the government to meet the constitutional needs of its citizens.

Economic growth is defined as a rise in the value of a country's commodities over time, and Real Gross Domestic Product (RGDP) is used as a proxy for economic growth. Real GDP is an inflation-adjusted metric that reflects the value of all commodities generated by an economy in a given year, usually stated in base-year prices, and is frequently classified as constant-price or inflation-corrected GDP. Real GDP, as opposed to nominal GDP, can account for price fluctuations and hence provides a more accurate measure of growth (Orjinta, & Ighosewe, 2022).

The main issue which the present study however desire to solve is that, even with the diverse tax reforms in place, the amount of tax generated is still not enough to meet the diverse developmental needs of the Nigerian economy. Many issues contribute to the inadequacy of tax revenue generated in Nigeria, including a lack of statistical data, poor tax administration, double taxing, an inability to prioritize tax effort, and pervasive corruption (Leyira, Chukwuma, & Asian (2012). According to Khadijat and Taophic (2018), the disregard of non-oil revenue, despite its potential to generate significant tax revenue inflows, has also contributed to Nigeria's tax revenue shortfall. Again, though numerous theoretical and empirical studies exist on the effects of tax revenue on economic growth (Ayeni & Omodero, 2022, John & Dickson, 2020, Amadi & Alolote, 2019, Yahaya & Bakare, 2018, Etale & Bingilar, 2016, Shang, 2016, Ogbonna & Appah, 2016), none of them have been conducted in Rivers State, Nigeria. One salint fact is that, these studies failed to consider the mediating roles organizational culture has on both tax and economic growth which the current study considers.

LITERATURE REVIEW

Conceptual Review

A tax is a mandatory levy which the government imposes on a subject or his property in order to collect the necessary money to provide security, social amenities, and establish circumstances for the economic well-being of the society (Apinoko, Kalu, & Alwell, 2021).

The government imposes taxes for a variety of reasons, including revenue creation, income distribution, and the protection of weak or infant industries, as well as macroeconomic regulation. According to Ordu and Omesi (2022), taxes can be implemented to regulate the production of specific commondities, safeguard baby industries, control business and contain inflation, minimize income inequalities, and so on.

The term "economic growth" is defined as a persistent increase in per capita national output or net national product over time (Etim, Nsima, Austin, Samuel, & Anselem, 2021). It means that the rate of total production growth must be larger than It follows that the rate of increase in total output must be greater than the rate of increase in population. Another way to measure economic growth is to have national production consist of commodities and services that meet the greatest number of people's needs. Human resources, national resources, capital formation, and technical advancement are four significant determinants of growth. The Harrod-Domar theory of growth, the Kaldor model of distribution, the Pasinetti model of profit and growth, Joan Robinson's model of capital accumulation, Meade's Neo-Classical model of growth, and the slow model of long term growth are all theories of growth.

Theoretical Framework

This research is conceptually based on the benefits-based taxation theory. According to the benefits-based hypothesis, the people who benefit the most from public services pay the greatest taxes. Thus, the benefits received approach recognizes that some people will benefit more than others from government-provided public goods funded by taxation. Taxes, for example, charged to improve higher education standards should be borne in proportion to those who are most likely to benefit from such education. According to Neumark and McLure (2013), one of the primary purposes of taxation is to fund public goods expenditures based on a democratically revealed willingness to pay for benefits obtained. Lindahl (1919) proposed the Lindahl equilibrium, which said that individuals pay for public good based on their marginal benefits in order to identify the efficient level of provision for public goods. As a result, in the equilibrium state, everyone consumes the same amount of public goods but faces various pricing, so some people may value a particular good more than others. Lindahl's proposed equilibrium price is the amount paid by an individual for their share of the public goods consumed. However, the benefits received hypothesis suffers from the free rider problem since it works best when all beneficiaries of public goods can be observed firsthand - which is exceedingly difficult to achieve in most public services (Ighosewe, 2022). This is because the average taxpayer will tend to decrease his or her tax burden by underreporting the benefits derived from the consumption of public goods.

Empirical Review

Adefolake and Omodero (2022) looked into the relationship between Nigeria's tax income and economic growth using information from the FIRS financial statement and the CBN statistical bulletin. Ex-post facto study design was employed by the researcher. The results of the Vector Error Correction Model (VECM) demonstrated that PPT and VAT had large positive effects on GDP while CIT has considerable negative effects.

Ezekwesili and Ezejiofor (2022) discovered that tax income had little to no impact on economic growth from 2000 to 2019. Between 2003 and 2017, tax revenue and economic growth were examined by Onoja and Ibrahim (2021). The data were analyzed by the researcher using STATA software. The analysis shows that while CIT and VAT had considerable positive effects on GDP during the time under consideration, PPT had a positive but small impact on GDP.

Tax collections and economic expansion in Nigeria were analyzed by Eze and Onyedikachi in 2020. The researcher collected information from 2008 to 2019. The findings indicated that VAT has a negative, insignificant link with economic growth (GDP), but PPT and CIT have a positive, substantial effect on GDP.

Agunbiade and Idebi (2020) examined the effect of tax revenue on economic growth of Nigeria from 1981 to 2019. The strength of the correlation between the dependent and independent variables was assessed using the vector error correction model, or VECM. The findings showed that the GDP effect of direct (PPT and CIT) and indirect (VAT) taxes did not decline over the given period under consideration.

Hieu (2019) used ordinary linear regression (OLS) to analyze the effects of direct and indirect taxes on the expansion of the Vietnamese economy between 2003 and 2017. It was shown that while direct taxes made a negligible contribution to the growth of the Vietnamese economy during the time under consideration, indirect taxes made a positive impact.

Udeh and Ezejiofor (2018) conducted a study in Nigeria to look at how accounting information affected deferred taxation. They gathered information from the 21 DMBs in Nigeria's yearly reports. The results of the multiple regression analysis showed that while equity book value has a positive considerable influence on deferred tax, earnings per share and cash flow have a negative but negligible impact.

In their 2017 study, Onakoya, Afintinni, and Ogundajo looked at how taxes affected economic growth in Africa between 2004 and 2013. The study conducted a number of preliminary experiments, including Levin and Augmented Dickey Fuller (ADF) tests that were conducted stationary. The Hausman-Test was used in the study to choose the best estimator between Fixed and Random Effect. The study's conclusions showed that tax income supports economic growth in Africa and has a favorable relationship with GDP. The analysis came to the conclusion that there was a strong positive association between tax revenue and GDP. The economic effect of Ibn Khaldun's theory on taxation, which supports the positive influence that lower tax rates have on work, output, and economic performance, hence upholds the idea that both high and low levels of taxation are beneficial to economic growth.

In a study by Akhor and Ekundayo (2016) examining the influence of indirect taxes on economic growth in Nigeria, indirect taxes were represented by VAT, customs duties, and excise taxes. The CBN statistical bulletin from 1993 to 2013 was the source of the data used for the regression study. The research showed that VAT had a statistically significant impact on RGDP.

Ojong, Ogar, and Oka (2016) looked at how tax revenue affected the Nigerian economy. Through the desk survey method, data for the study were gathered from the CBN Statistical Bulletin. We estimated the association between the dependent and independent variables using the OLS multiple regression model. The results showed a strong correlation between the petroleum profit tax and the expansion of the Nigerian economy. It also showed a strong correlation between non-oil earnings and the expansion of the Nigerian economy. It was suggested that the government work to bring social amenities to every corner of the nation.

Ibanichuka, Akani, and Ikebujo (2016) looked into how tax revenue affected Nigeria's economic growth from 1995 to 2014. Multiple regression analyses were used to evaluate the data, which showed a correlation between the federal government's revenue from CIT, VAT, and CED and the Human Development Index. Based on the results, the study came to the conclusion that CIT, VAT, and CED revenues collected by the federal government aid in raising Nigeria's HDI. The study consequently suggested that the FG educate taxpayers about the need of paying taxes and the consequences for non-compliance. Furthermore, incentives should be provided to taxpayers to encourage them (especially corporate bodies) to pay their taxes.

H0₁: Organizational Culture has no mediating roles on both company Income Tax-CIT and Economic Growth in Nigeria.

H0₂: Organizational Culture has no mediating roles on both Personal income tax-Pand Economic Growth in Nigeria.

H0₃: Organizational Culture has no mediating roles on both VAT revenue and Economic Growth in Nigeria.

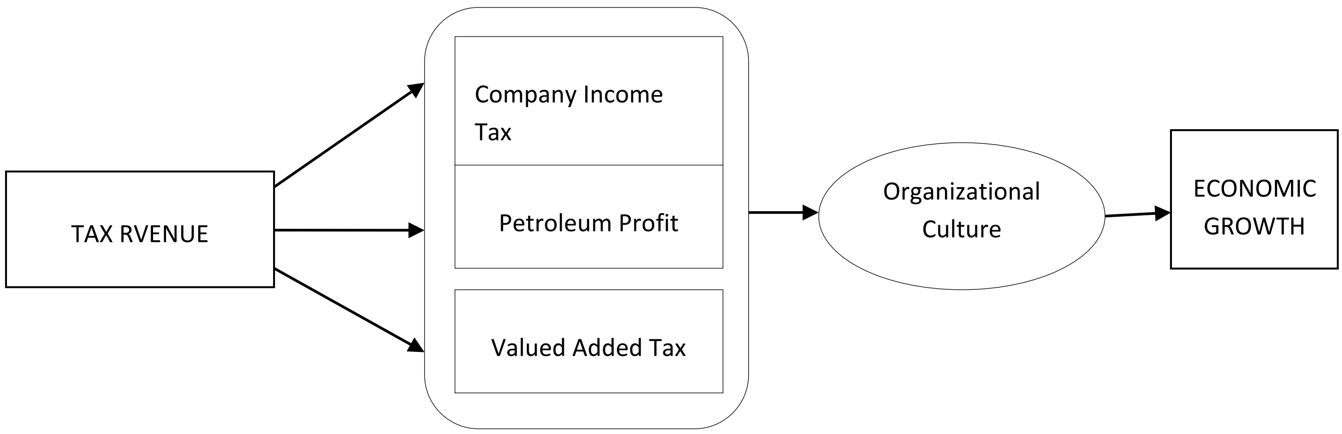

Figure 1: Tax Revenue Sources, Organizational Culture, and Economic Growth
Source: Researcher's Compilation (2023)

METHODOLOGY

The study strategy used is a cross-sectional survey design, which offers for an easy and effective means to access data from a variety of participants through structured instruments like the questionnaire, according to Sullivan (2001). This study limited its participants to 233 tax administration-related employees of the Federal Inland Revenue Service (FIRS) and State Internal Revenue Service (SIRS). According to the sampling formula developed by Taro Yamane in 1970, the sample size for this investigation is 147 (Baridam, 2001).

Primary data were gathered through a survey on tax administration that was given to employees of the FIRS and State Internal Revenue Service (SIRS). In order to determine whether there is a correlation between the dependent and independent variables, a sample of 50 employees from FIRS and SIRS completed the Company Income Tax test after the questionnaire had been validated using face and content validity. Ranking correlation was 0.78, indicating the instrument's dependability. On the other hand, time series data were also gathered from secondary sources.

In the analysis of its generated data, the study utilized both descriptive and inferential statistics. The tests of the bivariate null hypotheses entail the use of the Spearman rank order correlation coefficient at a confidence interval of 95% and a significance of 0.05, while for the Path Analysis considers the regression with moderating variable.

RESULTS AND DISCUSSIONS

The study is structured into two main sections, the data presentation and the discussion of our findings. This particular section (field result) presents the results for the field activities of the researcher with regards to questionnaire administration and retrieval.

Table 1

Company Income Tax Result for the Study

	Dimensions and Measures	Indicators	Alpha coeff.
	ECG	3	.913
Tax Revenue	CIT	3	.784
	PPT	3	.904
	VAT	3	.905
ORGC		5	.950

Note: ECG-Economic Growth; CIT-Company Income Tax; PPT-Petroleum Profit Tax; VAT-Value Added Tax

Source: Survey Data, 2023

Table 2

Indicators of Tax Revenue

	N	Minimum	Maximum	Mean	Std. Deviation
	132	**1.00**	**5.00**	**4.0455**	**.86470**
I am well paid for my job	132	1.00	5.00	4.0303	.94860
I believe my pay is commensurate with my effort	132	1.00	5.00	4.0303	.94860
I believe my salary is in line with the standards of the industry	132	1.00	5.00	4.0758	.91319

Source: Survey Data, 2023

The distribution of the variable financial and the corresponding indicators reveal that variable is well manifested and can be considered as having a strong impact and effect on the workers affairs, behavior and experiences within the examined organizations.

ANALYSIS OF THE DATA

Demographic Analysis

The demographic data our respondents with regards to their qualifications, gender, age and the level in the organization. Presented in figure 1 is the result for the demographic distribution of the study using the bar chart diagram.

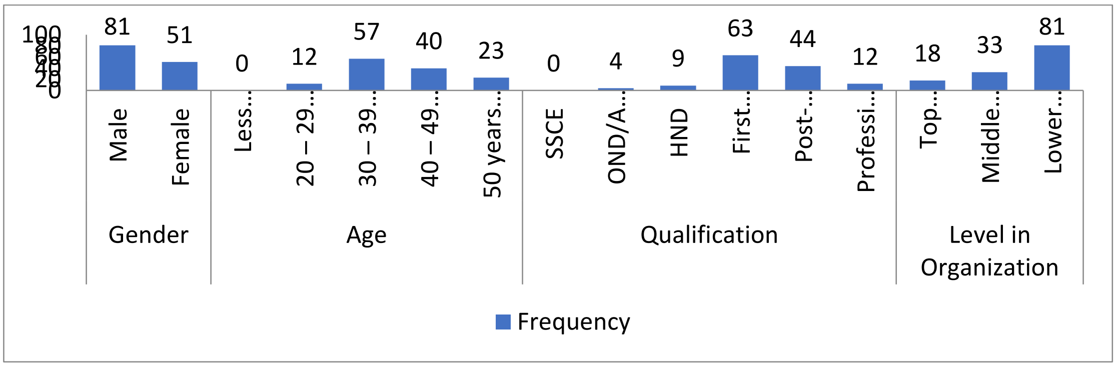

Figure 1: Demographic Distribution

The first characteristic is the gender which indicates that a much greater frequency of the participants is male (81) as compared to the female members (51), thereby implying a high level of disparity in the workforce distribution of the examined organizations.

Table 3

Test for Bivariate Hypotheses-Without Moderating Effect

			Economic Growth	Company Income Tax	Personal Income Tax	Value Added Tax
Spearman's rho	Economic Growth	Correlation Coefficient	1.000	.488**	.449**	.379**
		Sig. (2-tailed)	.	.000	.000	.000
		N	132	132	132	132
	CIT	Correlation Coefficient	.488**	1.000	.499**	.541**
		Sig. (2-tailed)	.000	.	.000	.000
		N	132	132	132	132
	PIT	Correlation Coefficient	.449**	.499**	1.000	.540**
		Sig. (2-tailed)	.000	.000	.	.000
		N	132	132	132	132
	VAT	Correlation Coefficient	.379**	.541**	.540**	1.000
		Sig. (2-tailed)	.000	.000	.000	.
		N	132	132	132	132

The result for the relationship between and the measure of Economic Growth is presented herein. The result indicates that financial reward significantly impacts on Economic Growth based on its level of association with its measures: Company Income Tax, Personal Income Tax and Value Added Tax. By implication, tax Revenue can be considered as integral and important within the framework of organizational exchanges for the actualization of reliable, responsive and empathic workers service delivery.

Moderating Effect of Organizational Culture on Tax Revenue and Economic Growth

Path Analysis was used to test the fitness indices using the AMOS Software. The Summary of the result estimate is presented thus:

Table 4

Mediation Result.

C	Direct without mediator	Direct with mediator	Indirect
TAXR → ORGC → ECG	. 488 (.000)	. (.001)	Full mediation

TAXR = Tax revenue; ORGC = Organizational culture; ECG = Economic growth.

Organizational culture is revealed by the analysis to significantly moderate the relationship between Tax Revenue and economic growth. This further evidenced that, a significant level of moderation exist between organizational culture and the various variables.

CONCLUSION AND RECOMMENDATIONS

Premise on the various discoveries, it is pertinent to conclude that, organizational culture significantly moderates the relationship between reward requisite for the effective transfer of Tax Revenue unto Economic Growth. Therefore, Nigerian government should ensure that, an issue which hampers tax system is curbed. Also, there is need for the modification of the institutional arrangement. Again, tax authorities should ensure that tax leakages are blocked, and appropriate measures taken to curb corruption among tax officials. However, when GDP is adjusted for inflation CIT becomes a major revenue.

Contributions to Knowledge

The paper contributed to knowledge in the following manners:

1. The study will provide managers and other interested professional and business bodies with knowledge on the manifestations of these variables within their various Organizations.

2. The data and their summaries will serve to enrich management decisions in line with workers' financial reward administration.

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