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PETROLEUM PROFIT TAX AND ECONOMIC GROWTH IN NIGERIA

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ABSTRACT

This paper focused on the impact of petroleum profit tax on economic growth in Nigeria within the period of 1980 to 2017. Therefore, secondary data on gross domestic product and petroleum profit tax were sourced from CBN statistical bulletin. The econometric methods of Generalized Method of Moments (GMM) and Granger Causality test were used. Furthermore, before the GMM and Granger causality tests, the study employed Augmented Dickey-Fuller (ADF) unit root test to ascertain the stationarity of the variables. Based on the results; the ADF stationarity test for each of the series showed that all the variables were stationary at order one. The GMM test showed that petroleum profit tax and economic growth have positive and significant relationship with R² of 78%. The pairwise granger causality test showed bidirectional causality between petroleum profit tax and economic growth. The study concluded that petroleum profit tax has impacted on economic growth in Nigeria meaningfully during the period of study. Therefore, government should boost petroleum profit tax revenue. This can be achieved by establishing an efficient and effective tax administration to reduce the level of tax evasion. At the same time, remove all administrative loopholes; ensure accountability and transparency from government officials on the management of revenue derived from petroleum profit tax. Also, ensure that the needs of the Niger Delta region are met for conflict-free operation of the oil companies which in turn will increase oil production, petroleum profit tax revenue and economic growth in Nigeria.



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