Tax Revenue & Economic Growth in Nigeria: Moderating Effect of Finance Act.

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ABSTRACT

Tax revenue contributes significantly to economic growth, often reflected in the Gross Domestic Product (GDP) in developed economies. However, this trend has not been equally evident in Nigeria due to suboptimal tax policy implementation. This study evaluates the impact of tax revenue on economic growth in Nigeria and examines the moderating effect of the Finance Act. The Finance Act, implemented annually since 2019, introduced significant amendments to various tax provisions. Utilizing an ex post facto research design, the study employs quarterly data from 2016Q1 to 2023Q4, analyzed using descriptive statistics, unit root tests, co-integration analysis, and estimation techniques such as DOLS and FMOLS. Results show a significant positive relationship between tax revenue and GDP, both directly and with the moderating influence of the Finance Act. The study recommends policy reforms targeting sector-specific impacts and calls for a broader tax base to improve GDP growth.

Keywords: Tax Revenue; Economic Growth; Finance Act; Gross Domestic Product; Real Gross Domestic Product.
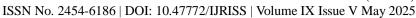
INTRODUCTION

As a result, the government maintains an efficient tax system and administration to bring in enough money for the government to fund various initiatives that would support or increase economic growth. Asaolu, Olabisi, Akinbode, and Alebiosu (2018) contend that efficient and effective tax administration will enhance tax revenue generated and assist the government in raising money to satisfy its different commitments.

This study investigates the dynamic relationship between tax revenue and economic growth in Nigeria, with a focus on the moderating role of the Finance Act. As Nigeria pursues fiscal sustainability and economic diversification, tax reforms are central to policy discourse. Despite legislative interventions, challenges in tax mobilization persist. This study fills a gap by empirically evaluating the Finance Act, a key fiscal reform measure.

Taxation remains a primary and reliable revenue source for governments globally. According to Bassey (2019), governments require tax revenue to fund public expenditures, while Asaolu et al. (2018) highlight the importance of efficient tax administration. The Nigerian government's historical overreliance on crude oil has reduced the effectiveness of tax as a revenue source. The volatility in oil prices has prompted the need to diversify revenue streams, especially through improved tax systems.

Government available resources should reflect in the economic growth; however, in line with the economic theory of scarce resources, revenue needed for economic growth and development is not always available in the desired proportion. Governments at all levels, therefore, need to strategize on how to solve the economic problem of scarcity of resources. Tax revenue can be considered as one of the available alternatives. The

government can therefore structure the tax system and administration towards realizing sufficient funds to boost economic growth.

It is important to note that since oil was discovered in Nigeria, the government has ignored other potential streams of income where significant cash may be made in favour of relying exclusively on crude oil revenue as the main source of income. Unfortunately, the global price of crude oil, which happens to be the main source of foreign income of the country, has been declining gradually, and Nigeria faced the inevitable vulnerability of a monoculture economy (Yusuf & Uderrah, 2021).

There is a need for the government at this critical period to diversify the economy to attract multiple sources of revenue so that the Gross Domestic Product and the economy as a whole can be impacted positively. Considering the persistent increase in the responsibility of the government and the implications on the running costs, there is a need for the government to shift its attention from oil and embrace other revenue sources, which can impact the Gross Domestic Product and hence the development and expansion of the economy. Tax revenue is one of the sources that can be embraced. This can be achieved by broadening the existing tax system and effective and efficient tax administration to generate substantial revenue, which can boost the economy. Doing so will increase Government revenue, increase the Gross Domestic Product, create employment, ensure economic stability, and promote economic growth and development in the long run.
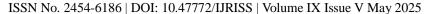
Taxation, according to Oladipo, Ogunjobi, Fakile, Olajide, and Owoseni (2024), is one of the reliable sources of revenue generation to governments in nations across the globe. The Nigerian government has, however, paid little attention to this source over the decades, due to overreliance on oil revenue. This overreliance has placed a limit on the government's ability to sustainably finance the economy because of a global fall in the prices of oil (Sule,2016). However, in recent times, in an attempt to diversify the economy for efficient and effective performance, the government has made serious efforts to optimize revenue from taxes for economic growth. This economic growth is what Igwe and Ugwuanyi (2024) described as an increase in economic activity level within the country, which is the consequence of an increased standard of living. To increase revenue from taxes, the Nigerian government has embarked on aggressive tax reforms in recent times with the determination to block identified existing leakage in the collection of tax revenue. Worthy of mention is the recent development of the introduction of the annual Finance bill, which culminated in a law that commenced in 2019.

Although there are many empirical studies on the influence that the income from tax revenue has on the growth of the economy and the gross domestic product, the outcome of the studies is, however, conflicting. Some studies established a significant impact (Odhiambo & Olushola, 2018; Etim, Nweze & Umoffong, 2020; Mamuda & Alhassan, 2022), while some scholars asserted an insignificant impact (Osamor, Omoregbe, Ajasa-Adeoye & Olumuyiwa-Loko, 2023; Okpe, Dùru & Stella, 2017). Therefore, the issue is that researchers have not looked at how the Finance Act affects the connection between tax income and economic growth. Some of the recent works on the impact of tax revenue on economic growth made use of pre finance act tax revenue data (Aliyu &Mustapha,2019, Bamidele & Olowookere,2020), while few used larger proportional of pre finance act data and little portion of post finance act tax revenue data, making it difficult to assess the finance act impact directly on tax revenue and indirectly on economic growth. This study, therefore, examines the moderating effect of the Finance Act on output performance in Nigeria.

To this end, the Finance Act was introduced in 2019 and has since been updated annually. Its key aim is to amend outdated tax laws, improve revenue generation, and align tax administration with global best practices. While existing studies have explored the relationship between tax revenue and economic growth, few have assessed the specific moderating role of the Finance Act.

Justification For The Finance Act As Moderator

The Finance Act was selected as a moderator due to its comprehensive and recurrent nature, beginning in 2019, which differentiates it from other fiscal reforms. Unlike newer policies, the Finance Act directly amended multiple tax components such as VAT, CIT, and SME exemptions, thereby influencing revenue collection and economic output. This focus allows for a robust evaluation of its moderating influence.

The objectives of this study, therefore, include:

(i)   To examine the impact of tax revenue on Nigeria's economic growth.

(ii)   To analyze the moderating impact of the Finance Act on the relationship between tax revenue and economic growth.

Research Hypothesis

According to the questions of the research, the null hypothesis that guided this study is stated below:

H01: Tax revenue does not significantly affect economic growth in Nigeria.

H02: The Finance Act does not significantly moderate the relationship between tax revenue and economic growth.

LITERATURE REVIEW

In researching the literature for this study, three subheadings are explored. They are: Conceptual Review, Theoretical Framework, and Empirical Review in that order.
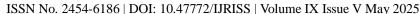
Conceptual Review

Tax Revenue

Tax revenue refers to government income derived from taxes, both direct (e.g., CIT, PPT) and indirect (e.g., VAT, duties). Economic growth is measured using GDP, reflecting the total market value of goods and services produced. The Finance Act serves as a legislative tool aimed at improving tax administration and compliance. Taxes can be classified into direct and indirect. ICAN (2021) and Soyode & Kajola (2016) state that direct taxes are imposed directly on the individual who is supposed to pay them. Given that the tax authority is responsible for assessing and collecting taxes from taxpayers,   while indirect taxes are taxes imposed on goods before they are sold to consumers, and the people who finally pay them as a portion of the price of the goods rather than as taxes (ICAN, 2021). Both direct and indirect taxes are capable of generating sufficient revenue to impact the economy. Levies on earnings, profits, and real estate, PPT, and CIT are a few examples of direct taxes, while indirect taxes include: VAT, Stamp Duties, Custom Duties, and Excise Duties, etc.

Economy Growth

An increase in a nation's economic activity is known as economic growth, reflecting an increase in real national income and real per capita income, and this is mostly measured by Gross Domestic Product (GDP). Gross Domestic Product (GDP) is the total value of products and services manufactured in a country, the nationality of individuals who created them. (Ogunbi & Ogunseye, 2018) According to Anyanwuocha (2017), GDP is one of the useful indices of measuring economic success. Bondareco (2023) agreed, arguing that aggregate yearly Gross Domestic Product can be used to assess national economies by size and to gauge economic growth and development. Many people, therefore, have an interest in movement in Gross Domestic Product over time, which is given at the annual rate of increase. A period of several repeated quarters of positive GDP increase in an economy is termed an expansion (economic boom), whereas a period of consecutive quarters of decreasing GDP is considered an economic collapse. Tax revenue, if well-articulated, can be employed to stimulate economic growth and development.

Finance Acts

Oyedele and Oye (2023) state that taxes are a dependable source of income because the direct policies are under the direct control of the government. Oladipo and Olufemi (2024) opined those certain rules and guidelines should be established to encourage it. Before the signing of the Finance Act 2019, most of the

Nigerian tax laws were outdated as thy have not been reviewed for several years (Oyedele &Oye,2023). The federal government has, however, changed the narrative by adopting the annual finance act to improve the ease of doing business and align tax laws with global best practices. The Finance Acts enacted in 2019, 2020, 2021,2022, and 2023 have become an emerging tradition in Nigeria (NESG,2020)

Since the adoption of the annual finance act, several provisions of different tax acts that are capable of increasing tax revenue generation and economic growth have been amended. Akande (2024) observed, for example, that the classification of companies into small, medium, and large for tax purposes improves revenue generation in the long run by promoting small business expansion and moving them toward becoming tax-paying entities.

Theoretical Review

Social Political Theory of Taxation

Adolph Wagner (1835–1917) proposed this notion. According to the principle, a decent system of tax ought to be created to treat the problems that affect society collectively and not to favor particular people. According to Studocu (2023), taxes can be used by the government as a potent tool for political engineering, either as a carrot or a stick, to advance its goals. Because the theory offers a framework for how the evils of society might be remedied and because treating societal illnesses will enhance economic output performance, tax burden concession can therefore be a beneficial weapon in shaping social behavior. Because it offers a framework for the explanation of the interactions between explanatory variable (tax revenue) and the explained variable (economic output performance), the most relevant theory to this work is this theory.

The Finance Act embodies this by striving to enhance equity and economic development through revised tax laws.
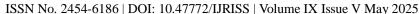
Empirical Review

The empirical analysis employed ARDL and ECM models to explore both short-run and long-run relationships between tax revenue and economic growth, considering the moderating effect of the Finance Act. The results indicate that in the long run, company income tax and value-added tax have significant positive effects on GDP, while the petroleum profit tax shows a negative relationship. In the short run, tax variables exhibit mixed effects, with VAT being consistently positive.

Importantly, the interaction terms between tax revenue components and the Finance Act were statistically significant in most models, confirming the moderating influence of fiscal reforms. The inclusion of control variables such as inflation enhances the model's reliability, though the addition of exchange rate and government expenditure could further improve robustness in future analyses.

Tax income's influence on Nigeria's economy is a subject of several empirical studies. Atuma, David, Nwibo, Nkwagu, Udenta, Njim, and Uwaeke (2024) analysed the effect of revenue from tax components on Nigeria's economic expansion from 1994- 2021, data predominantly dominated by pre-finance act adoption. Time series data obtained were analyzed using Multiple Regression analysis and the Auto Regressive Distributed Lag (ARDL) model. The results showed that both CIT and VAT were statistically significant and positively related to economic growth.

Adesanya, Anene, Bosah, Bankole, and Ogundele (2024) examined the bi-directional effect of tax revenue and economic growth in Nigeria from 2011- 2022, both pre- and post-finance act data. The Granger Causality test was employed to analyze the sourced data. The outcome of the analysis revealed that a significant and positive bi-directional impact exists between total tax revenue and economic growth in Nigeria.

Obadiaru, Okon, and Ayeni (2024) examined the influence of tax revenue on Nigeria's economic growth from 1991-2021, predominantly dominated by pre-finance act adoption. The result of the analysis carried out using ARDL showed that CIT and VAT have positive and negative impacts, respectively, on the economic growth in Nigeria.

Igwe and Ugwuanyi (2024) compared the effect of tax revenue pre- and post-TSA on economic growth in Nigeria. An ex post facto research design was employed, and a correlation model was used to examine the data. The findings of according to the report revealed there was a stronger correlation between tax revenue and economic growth post-TSA adoption than pre-TSA adoption.

Aliyu and Mustapha (2020) investigated the impact of tax revenue on economic growth pre-finance act adoption, 1981-2017. Secondary data obtained from relevant government agencies' portals were analyzed using OLS and ARDL. The outcome of the analysis showed that PPT and VAT are strongly and favourably correlated with economic expansion, while CIT and CED are significantly but negatively impacted by economic growth.

Bamidele and Olowookere (2019) assessed the effect of tax revenue on economic growth pre-finance act adoption from 1994-2017. Analysis using multiple regression was employed to analyze secondary data sourced from a relevant government agency's statistical bulletin. According to the findings, CED has a detrimental influence on economic growth in Nigeria, whereas PPT, CIT, and VAT have a beneficial impact.

Charles, Ekwe, and Azubike (2018) examined the relationship between federally collected tax revenue and economic growth pre-finance act adoption, 2000-2016. Time series data generated were analysed with the help of the Johansen Co-Integration Test. The results showed that federally collected tax revenue impacted economic growth in Nigeria in the long run.

MATERIALS AND METHODS

The objective of this study is to examine the impact of tax revenue on economic growth: the moderating effect of Finance Act adoption. The study adopted an ex-post facto research design. Employing time series analysis, the study utilized secondary data that were sourced from the Central Bank of Nigeria (CBN) Statistical Bulletin[1] (2023) and Federal Inland Revenue Service (FIRS). Based on the publication and availability of data, the study used quarterly time series data for the period between 2016Q1 to 2023Q4, thus yielding data points of 32 quarters. The data sets include GDP, total tax revenue. In addition, data on the inflation rate were collected as a control variable. The response variables include economic growth. Meanwhile, the core independent variable is tax revenue, while the Finance Act is taken as the interaction or moderating variable. In addition, the inflation rate was employed as a control variable

Model Specification

The functional form of the models is as follows:

Without Moderation (Interaction)

$$GDP_t = f(TXR_t, INF_t) \tag{3.1}$$

With Moderation

$$GDP_t = f(TXR_t, FA_t, (TXR * FA)_t, INF_t) \tag{3.2}$$
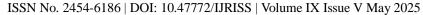
Where GDP = Gross Domestic Product

TXR = Tax revenue

FA = Finance Act (0, 1)

TXR*FA = Interaction of tax revenue and Finance Act

INF = Inflation

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[1] https://www.cbn.gov.ng/documents/statbulletin.asp

The panel regression models are expressed as follows:

Without Moderation

$$GDP_t = \beta_0 + \beta_1 TXR_t + \beta_2 INF_t + \varepsilon_t \quad\quad (3.3)$$

With Moderation

$$GDP_t = \beta_0 + \beta_1 TXR_t + \beta_2 FA_t + \beta_3 (TXR * FA)_t + \beta_4 INF_t + \varepsilon_t \quad (3.4)$$

The above model assumes a linear relationship between the dependent variable and the independent variables.

Data Availability

All the data used for the study are secondary and are available via this link: [1]
https://www.cbn.gov.ng/documents/statbulletin.asp

Ethical Considerations

No ethical issues arose during this research, as most of the data was obtained from the internet and other secondary sources, as outlined in the data collection methods. Consequently, no ethical approval process was required. Since no primary data collection methods, such as questionnaires or interviews, were employed, the study is classified as low-risk. Additionally, consent forms and participant information sheets were unnecessary, as the research did not involve human participants or animals.

Conflict Of Interest

No potential conflicts of interest.

RESULTS AND DISCUSSION

An overview of the statistics

The study's summary statistics for the variables under investigation are shown in this section, viz., the categorical variables such as: Finance Act (*FA*) as a dummy variable (0, 1), total tax revenue (*TXR*), and GDP (OGDP). All continuous variables are expressed in the scale of ₦ billion. The summary statistics were computed in three FAs, such as the full sample period and 2 sub-sample periods. The full sample covers the period between 2016Q1 and 2023Q4. The first subsample covers the pre-Finance Act (Pre-FA) regime between 2016Q1 and 2019Q4, while the second subsample covers the post-Finance Act (Post-FA) regime between 2020Q1 and 2023Q4.

Summary Statistics of Tax revenue (TXR) about the Finance Act (FA)

The findings of the tax revenue summary statistics in connection with the Finance Act (FA) are shown in Table 1.

Under the full sample, it could be observed that tax revenue (*TXR*) demonstrates low variability in its distributions, having its standard deviations below the averages (mean). The foregoing observation suggests that tax revenue is likely to demonstrate high predictive capacity over the sample period of 32 quarters. Furthermore, the coefficients of skewness indicate that the *TXR* appears to be positively skewed (long right tail), having a positive coefficient. Meanwhile, the kurtosis coefficient indicates that *TXR* appears to be somewhat peaked (leptokurtic), having its coefficient (3.2474) below the threshold of 3 for a normal distribution. Moreover, tax revenue appears to be non-normal, having a significant Jarque-Bera statistic (JB = 7.0431, $p = 0.0296 < 0.05$).

Table 1: Summary Statistics Tax Revenue (TXR) about Finance Act (FA)

Statistics	Continuous Variable: TXR		
	Full: 2016Q1-2023Q4	Pre: 2016Q1-2019Q4	Post: 2020Q1-2023Q4
Obs.	32	16	16
Mean	1618.44	1119.89	2116.99
Median	1357.33	1122.79	2028.02
Maximum	3641.11	1564.57	3641.11
Minimum	563.87	563.87	1068.84
Std. Dev.	804.57	272.85	856.220
Skewness	1.1425	-0.3229	0.3810
Kurtosis	3.2474	2.4283	1.7885
Jarque-Bera	7.0431	0.4959	1.3656
p-value	0.0296	0.7804	0.5052

Source: Author's computation, 2025.

Meanwhile, the summary statistics of pre-Finance Act (Pre-FA) and post-Finance Act (Post-FA) samples shown in Table 1 indicate that the average *TXR* observed during the post-FA regime is more than the average obtained in the pre-FA regime. Moreover, the variability in *TXR* is higher during the post-FA regime as compared with that of the pre-FA regime, judging by their standard deviations. The higher variability in *TXR* during the post-FA may be attributed to the transition to the Finance Act.

Summary Statistics of GDP about the Finance Act (FA)

Table 2 presents the results of the summary statistics of GDP in relation Finance Act 2019.

Table 2-: Summary Statistics

GDP about the Finance Act (FA)

Statistics	Continuous Variable: GDP		
	Full: 2016Q1-2023Q4	Pre: 2016Q1-2019Q4	Post: 2020Q1-2023Q4
Obs.	32	16	16
Mean	17854.45	17350.62	18358.28
Median	17734.70	17243.44	17787.27
Maximum	21773.26	19527.72	21773.26
Minimum	15797.97	15797.97	15897.93
Std. Dev.	1531.60	1206.51	1688.44
Skewness	0.7195	0.2901	0.5699
Kurtosis	2.9257	1.7329	2.3278
Jarque-Bera	2.7681	1.2949	1.1672
P-value	0.2506	0.5234	0.5579

Source: Author's computation, 2025

Under the full sample statistics, it appears that the variable overall GDP demonstrates low variability in its distributions, having its standard deviations below the average mean. The foregoing observation suggests that GDP may demonstrate high forecasting power over the sample period 32 quarters. Furthermore, the coefficient of skewness indicates that the *GDP* appears to be positively skewed (long-right tail), having a positive coefficient. Meanwhile, the kurtosis coefficient indicates that *GDP* appears to be closely mesokurtic (moderately peaked), having its coefficient (2.9257) approximately equal to the threshold of 3 for a normal distribution. More importantly, the GDP displays normal distribution, having an insignificant Jarque-Bera statistic (JB = 2.7681, $p = 0.2506 > 0.05$). Thus, GDP demonstrates the normality assumption.

Meanwhile, the summary statistics of pre-Finance Act (Pre-FA) and post-Finance Act (Post-FA) samples shown in Table 2 indicate that the average *GDP* recorded during the post-Finance Act regime is higher as compared to that of the pre-Finance Act regime. Moreover, the variability in *GDP* is higher during the post-Finance Act regime as compared with that of pre- pre-Finance Act

regime, judging by their standard deviations. The higher variability in *GDP* during the post-Finance Act period may be attributed to the transition to the Finance Act 2019.
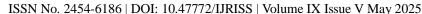
Pre-Tests

Unit Root Tests

The unit root test was conducted before the model estimation to determine the stationarity status of the variables under study. Thus, the Augmented Dickey-Fuller (ADF) test was employed to examine the stationarity conditions of the variables.

Table 3-: Unit Root Test Results

Sample Period: 2016Q1 – 2023Q4

Level Form				
		GDP	**TXR**	**INF**
With Constant	t-Statistic	-0.1340	0.1321	-0.7480
	Prob.	**0.9358**	**0.9628**	**0.8192**
With Constant & Trend	t-Statistic	-1.8314	-2.4428	-2.1189
	Prob.	**0.6613**	**0.1140**	**0.5150**
Without Constant & Trend	t-Statistic	1.8629	2.4187	0.7178
	Prob.	**0.9823**	**0.9950**	**0.8648**
First Difference Form				
		Δ(GDP)	**Δ(TXR)**	**Δ(INF)**
With Constant	t-Statistic	-2.5980	-7.2313***	-4.4044**
	Prob.	**0.1057**	**0.0000**	**0.0468**
With Constant & Trend	t-Statistic	-2.5933	-7.1955***	-2.2241
	Prob.	**0.2858**	**0.0000**	**0.4600**
Without Constant & Trend	t-Statistic	-1.7579*	-6.9667***	-1.2480
	Prob.	**0.0749**	**0.0000**	**0.1901**
Order: I(d)		**I(1)**	**I(1)**	**I(1)**

Source: Research's computation (2025)

Note: ***, ** & * denote statistical significance at 1%, 5% & 10% respectively. Δ = difference operator

Employing the ADF unit root testing method, the unit root test results are shown in Table 3. It could be observed that all the variables appear to be integrated of order one, *i.e.,* they follow *I (1)* processes since there is no significant result at the level for all the variables. Thus, the first differencing technique was utilized for the series to become stationary. Thus, the models under consideration, *i.e.,* without- and with-moderation models, contain variables that follow I (1) processes. Consequently, the consistent order of integration of the variables of I (1) needs to perform a co-integration test to ascertain whether or not the variables have a lasting link.

Moreover, the impulse to the variables may persist over time due to the non-stationary conditions.

Cointegration Test

Based on the preceding unit root test results, testing is required to determine whether linear combinations or long-term relationships between the variables exist. Thus, the Engle-Granger (EG) co-integration testing methods of the single-equation co-integration test approach were employed since the variables being examined have the same I (1) order of integration.

Table 4-: Engle-Granger (EG) Co-Integration Test Results

Sample Period: 2016Q1 – 2023Q4

Model	Test Type	tau-Stat.	*p*-value	z-stat.	*p*-value
Without	Engle-Granger	-5.9764	0.0073	-30.625	0.0204
With	Engle-Granger	-5.7548	0.0091	-28.266	0.0339

Source: Research's computation (2025)

The results of the co-integration test conducted for each of the models using the Engle-Granger (EG) co-integration testing techniques are shown in Table 4. Thus, significant test results are shown by both the tau-statistics and z-statistics of both the without-moderation model (tau-stat. = -5.976, $p = 0.007$; z-stat = -30.625, $p = 0.0204$) and with-moderation model (tau-stat. = -5.755, $p = 0.009$; z-stat = -28.266, $p = 0.0339$) with the corresponding *p*-values below the significance level of 0.05. The foregoing implies that the variables of each of the models appear to have long-run relationships or linear combinations. Therefore, the models do not suffer spurious relationship.

Model Estimation

Following the existence of a long-run relationship among the variables under investigation, the study employed the cointegrating regression estimation methods, which include: fully-modified ordinary least squares (FMOLS), canonical cointegrating regression (CCR), and dynamic ordinary least squares (DOLS). The choice among the aforementioned competing estimation methods depends on the adjusted R-squared values. The estimator with the largest adjusted R-squared value is chosen for inferences. The estimation results using the three-estimation method are shown in Table 4 for the model. Following the results displayed in Table 5, it could be observed that among the three (3) competing estimation methods, the dynamic ordinary least squares (DOLS) estimator is considered the most acceptable method for the without-moderation model, having the highest adjusted R-squared value (0.3490). Thus, the DOLS estimation method is selected. On the other hand, the fully modified ordinary least squares (FMOLS) estimator is considered the most acceptable method for the with-moderation model, having the highest adjusted R-squared value (0.2446). Moreover, the natural log forms of the variables were utilized in the estimation, thus, the estimates obtained are in elasticity.

Under the without-moderation model shown in Table 5, changes in tax revenue (TXR) have been found to have a positive and statistically significant impact on Nigeria's Economic Growth (GDP) (β = 0.1110, p = 0.0014 < 0.01). Thus, the statistical significance position of the foregoing empirical test implies the rejection of the null

hypothesis, *i.e.*, $H_0: \beta = 0$ is rejected. Furthermore, the partial slope coefficient indicates that GDP is inelastic concerning tax revenue (TXR), having a partial coefficient less than one. In other words, the degree of responsiveness of GDP to TXR is inelastic and significant.

Table 5: Co-integrating Regression Estimation Results

Sample Period: 2016Q1 – 2023Q4

Estimation Method	DOLS	FMOLS
Model	Without-Moderation	With-Moderation
Response Variable	GDP	GDP
Independent Variable		
C	8.9037*** (0.0000)	7.5762*** (0.0000)
TXR	0.1110*** (0.0014)	0.2289 (0.0000)
FA	--	1.3508*** (0.0000)
TXR*FA	--	0.1971*** (0.0000)
INF	0.0352 (0.5500)	0.2239*** (0.0000)
Explanatory Power:		
R-squared	0.5350	0.3453
Adj. R-squared	0.3490	0.2446
Overall Test: Wald Test:		
F-statistic	13.238*** (0.0002)	57.0319*** (0.0000)
Post-Diagnostic Tests		
Serial Correlation Test:		
Q-Statistic (Ljung-Box)	6.7052 (0.569)	0.0535 (0.817)
Normality Test:		
Jarque-Bera Stat.	3.9732 (0.1372)	2.7015 (0.2590)

Source: Calculated by the researcher (2025).

Note: *** indicates statistical significance at the significance level of 0.01. P-values for the corresponding statistics and coefficients are shown in parentheses.

Meanwhile, under the with-moderation model shown in Table 5, the interaction of Finance Act with Economic Growth (*TXR*FA*) exerts a positive and significant effect ($\beta = 0.1971$, $p = 0.0000 < 0.01$) on output

performance (GDP). The foregoing suggests that the implementation of the Finance Act yielded a stronger significant impact on the relationship between tax revenue and Economic Growth (GDP). After the post-estimation tests, which comprise the normality and autocorrelation (or serial correlation) tests for both models, the insignificant results of the serial correlation test and normality test suggest that the estimates obtained are efficient and valid for inferences and policy making.

DISCUSSION OF FINDINGS

This study investigates the interaction effect of the Finance Act on the correlation between Nigeria's economic growth and tax revenue. The study's empirical outcomes revealed that a significant and positive association was observed between tax revenue and economic growth in Nigeria without the interaction of the Finance Act. On the other hand, empirical results reveal that there is a stronger significant improvement in economic growth from tax revenue with a positive moderating impact from the Finance Act. According to the aforementioned, the finance act, which is a component of fiscal policy, is crucial to guaranteeing a notable increase in economic growth.

CONCLUSION AND RECOMMENDATION

According to the study's empirical findings, tax income and economic growth in Nigeria are significantly and favourably correlated, even when the Finance Act is not mentioned. On the other hand, there is a stronger significant improvement in economic growth from tax revenue, with a positive moderating impact from the Finance Act. The study, therefore, concluded that the Finance Act in the spectrum of fiscal policy plays a significant role in ensuring the significant rise in economic growth. The study recommended that the government's reform strategy should be done with political commitment and social dialogue with major stakeholders. Policymakers should also embrace proper administration of technology and widen the tax net. There should also be proper accountability and judicious utilization of proceeds from taxes to motivate the taxpayers' voluntary compliance.

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