Zagreb International Review of Economics & Business, Vol. 21, No. 1, pp. 1-15, 2018

ISSN 1331-5609; UDC: 33+65
DOI: 10.2478/zireb-2018-0001

Government Tax Policy and Private Sector Development in Nigeria: Evidence from Dynamic Panel Data Model

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Abstract: *This study examined the influence of government corporate tax policy on the performance of 54 randomly selected listed companies that cut across 17 categories of non-financial firms in Nigeria over a period of 1990-2002. Using Generalised Method of Moment (GMM) and contrary to the expectation, the study found positive* and significant relationship between corporate tax policy and the output performance of quoted manufacturing firms in Nigeria. This may be an indication that government revenue from corporate tax was judiciously expended on productive government expenditure such as road, security and power as nearly all firms selected are located in Lagos State. The study therefore, suggested that corporate tax if judiciously used in the provision of physical infrastructures and other public goods would reduce the cost of production of the private sector in Nigeria.*

Keywords: government; corporate tax; tax policy; manufacturing firms; generalized method of moment

JEL Classification: H, H2, H25

Introduction

In any economy, government participation in economic activities is largely determined and influenced by the type of economic system operating in that country. In a mixed economic system, which is predominantly practiced by most developing countries including Nigeria, that public sectors participated in the control of economic activities by means of public policy reforms along with the private sector is not a new dimension in the management of the economy. Government as an economic institution plays a vital role in the determination of the output performance

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