



THE EFFECT OF CUSTOMS AND EXCISE DUTIES ON ECONOMIC GROWTH IN NIGERIA

GEORGE-ANOKWURU, Chioma Chidinma

Department of Economics, Faculty of Social Sciences,

University of Port Harcourt, Nigeria

chiomanwoga@yahoo.com

Abstract

This paper focused on the effect of customs and excise duties on economic growth in Nigeria within the period of 1980 to 2022. Therefore, secondary data on gross domestic product, customs and excise duties, as well as inflation rate were sourced from the statistical bulletin of Nigeria's apex bank. Autoregressive Distributed Lag (ARDL) Bounds test and Granger Causality test were used as the main analytical methods. The ARDL Bounds test revealed the existence of long run relationship among the variables. The result revealed that customs and excise duties contribute positively and significantly to economic growth in Nigeria both in the short and long runs. Also, in the long run, inflation rate has negative and significant relationship with economic growth in Nigeria but in the short run inflation rate has positive and significant relationship with economic growth. In addition, the result revealed a unidirectional causality from customs and excise duties to economic growth. The result further revealed the existence of independence causality between inflation rate and economic growth during the period of study. Therefore, the study recommended that government should boost revenue from customs and excise duties. This can be achieved by designing a method to collect customs and excise duties digitally. Also, establish an efficient and effective tax administration to reduce the level of tax evasion in Nigeria which in turn will increase revenue from customs and excise duties, as well as boost economic growth in Nigeria

Keywords: Customs and Excise Duties, Economic Growth, ARDL, Granger Causality

INTRODUCTION

Custom duties are taxes levied on imported and exported items while excise duties are taxes imposed on some goods that are manufactured in a country, such as alcohol, tobacco products including cigarettes, cigars, rolling tobacco, and chewing tobacco, etc., (Umo, 2012; Inimino, Abuo and Bosco, 2018). They (excise duties) are imposed to generate money for the government and to discourage the manufacturing and consumption of certain goods deemed harmful to people's health. Custom duties can be used to defend home industries from well-organized industries abroad. Customs duty is based usually on the worth of goods or upon the weight, dimensions, or some other criteria that will be determined by the government. Customs and excise duties are the oldest forms of modern taxation and remain an important source of revenue in our economy which is still largely import-dependent. Strictly speaking, the essence of customs and excise duties is to generate revenue to advance the welfare of the people of Nigeria with focus on promoting economic growth and development of the country through the provision of basic amenities for improved public services via proper administrative system and structures.

In terms of contribution to government revenue, customs and excise duties have been impressive. Its receipts in 1980 was ₦1813.5 million, increased to ₦3540.8 million and ₦8640.9 million in 1987 and 1990 respectively (CBN, 2007). It was ₦11456.9 million in 1991, it increased to ₦16054.8 million, ₦37364.0 million, ₦55000.0 million and ₦63000.0 million in 1992, 1995, 1996 and 1997 respectively (CBN, 2017). In 2013, a breakdown of gross federal government revenue from non-oil sources indicated that revenue from customs/excise duties stood at ₦433.6 billion. In 2014, a further breakdown of gross federal government revenue from non-oil sources revealed that revenue from customs/excise duties rose by 30.6 percent to ₦566.2 billion. However, in 2015, revenue from customs and excise duties fell slightly by 3.5 percent to ₦546.2 billion. In 2016, it rose by 0.5 per cent to ₦548.8 billion. Interestingly, in 2017, revenue from customs and excise duties rose by 14.4 per cent to ₦628.0 billion. In 2018, it rose by 12.3 percent to ₦705.5 billion. In 2019, it rose by 18.7 percent to ₦837.3 billion (CBN, 2013, 2014, 2015, 2016, 2017, 2018 and 2019).

In addition, revenue from customs and excise duties has continued to increase in Nigeria. The increases in customs and excise duties signify that more revenue is available for economic growth in Nigeria. Moreover, the revenue from customs and excise duties will benefit the economy by enhancing its growth and future economic independence if it (the tax revenue from customs and excise duties) is invested in viable projects. On the other hand, if the tax revenue is badly managed and/or used for unproductive purposes, it will undermine the growth of the economy (Inimino, Otubu and Akpan, 2020).

Despite the huge revenue that accrue into the government treasury because of the impressive performance of customs and excise duties in terms of its contributions to total government's revenue in Nigeria, the governments (federal, state and local) the country still records poor infrastructural facilities, low per capita income, inadequate economic growth, high rate of poverty, increase in unemployment, etc., which have resulted to poor standard of living, rise in crime rate and other social evils. Therefore, the performance of Nigerian economy is below expectation due to poor management of its revenue. For instance, in 2016, the economy of Nigeria was under pressure. Real sector activities were significantly constrained by low crude oil production and price shocks, foreign exchange shortages and energy deficit, among others. Consequently, the economy contracted, as provisional data indicated that Real Gross Domestic Product (RGDP), measured at 2010 constant basic prices, declined by 1.5%, in contrast to 2.8% growth in 2015. Oil and non-oil sector output declined by 13.7 and 0.2%, respectively. In 2017, the economy witnessed a mild recovery from recession. The Real Gross Domestic Product (RGDP), measured at 2010 constant basic prices, grew by 0.83%, in contrast to the contraction of 1.58% in 2016. In 2018, the real Gross Domestic Product (GDP), measured at 2010 constant basic prices, grew by 1.9%, compared with the growth of 0.8% in 2017. In 2019, the economy maintained a modest growth. The Real Gross Domestic Product (RGDP) measured at 2010 constant basic prices grew by 2.3% (CBN, 2016, 2017, 2018 and 2019).

In addition, Inimino, Otubu and Akpan (2020) traced the problems with Nigerian economy to the inability of successive governments to use the country's revenue from various sources in the development of other sectors of the economy. In general, the performance of the various sectors of the economy such as education, agricultural, power, transportation, etc. has been poor. In addition, numerous arguments have trailed the place of revenue from customs and excise duties as a tool for enhancing infrastructural development and hence economic growth in Nigeria. Some empirical works by scholars including Inyiama and Ubesie (2016); as well as Inimino, Abuo and Bosco (2018) revealed that customs and excise duties have positive and significant relationship with economic growth in Nigeria. On the other hand, the empirical study of Onakoya and Afintinni (2016) showed that customs and excise duties have negative and insignificant relationship with economic growth in Nigeria. This state of affairs raises a pertinent question: what is the relationship between customs & excise duties and economic growth in Nigeria? This question pleads for an answer and to provide an answer to this question was the main concern of this study. Specifically, the main objective of this study was to investigate the effect of customs and excise duties on economic growth in Nigeria from 1980 to 2022. The remaining part of this paper is structured into review of related literature, research method, results and discussions as well as conclusion and recommendations.

REVIEW OF RELATED LITERATURE

Theoretical Framework

The benefit received theory of taxation was firstly developed by Knut Wicksell (1896) and Erik Lindahl (1919), two economists of the Stockholm School. This theory holds that government should tax inhabitants according to the benefits they received from government tax-financed projects. That is, as government provides goods and services to members of the society; it is the responsibility of the members of the society to contribute to the cost of the goods and services provided by the government (Inimino, Otubu and Akpan, 2020). The benefits may be priced according to either the governmental cost of providing the service or the value of the service to the purchaser, or a combination of these considerations. This line of reasoning makes it clear that the government should levy taxes on imported goods. That is, government should levy taxes on imported goods. In Nigeria, it is the responsibility of government to make expenditures on the construction of roads, nationwide defense, internal security, etc. which in turn will make the business environment conducive. In fact, it is the responsibility of government to provide an enabling business environment to increase investment. To achieve this, government needs funds. This perhaps explains why the government shows great concern for a medium through which funds can be made available to achieve their set goals for the society (including customs and excise duties). One medium through which government can get these funds is taxation (customs and excise duties). The principle of this theory involves quid pro quo arrangements whereby only consumers of public goods pay for such goods. The more the benefits consumed, the more the payments to be made. One problem with this principle is that it is very difficult to assign quantitative benefits in relation to the tax paid (Umo, 2012; Inimino, Otubu and Akpan, 2020). However, this principle has the advantage of directly relating to the revenue and expenditure decisions and taxation policy. In other words, the total supply of public goods will be determined through this principle by the demand for them as measured by what tax payers are willing to bear. Thus, basically, the benefit principle covers the way in which the goods and services should be supplied and financed privately and publicly. This theory is very important as it is used to investigate the effect of customs and excise duties on national output.

Empirical Literatures

Empirically, Ebiringa and Emeh (2012) used ordinary least squares technique to examine the impact of various taxes on the economic growth in Nigeria from 1985-2011. Results showed that customs and excise duties was negatively related to gross domestic product, implying that an inverse relationship existed between customs excise duties and

economic growth in Nigeria. at the same time, company income tax and value added tax were positively related to economic growth.

Worlu and Emeka (2012) used the 3-stage least squares method of econometrics to examine the impact of tax revenue on the economic growth of Nigeria from 1980 to 2007. Data were collected from CBN and FIRS Statistical Bulletins. The results showed that tax revenue stimulates economic growth through infrastructural development. Meanwhile, tax revenue has no self-governing effect on growth through the development of infrastructural and foreign direct investment.

Salami, Apelogun, Omidia and Ojoye (2015) studied the impact of taxation on the growth of the Nigerian economy from 1976 to 2006. The study employed both simple and multiple linear regression analysis of OLS method to determine the impact between the endogenous variable real GDP and the exogenous variables, petroleum profit tax, corporate income tax, custom and excise duties and value added tax. It was discovered that all exogenous variables had a significant impact on RGDP.

Jones, Ihendinihu and Nwaiwu (2015) examined tax revenue and economic growth in Nigeria from 1986 to 2012. The OLS econometrics method and the Error Correction Method were used. The result showed that total revenue has long and short run equilibrating relationship with economic growth in Nigeria.

Adaramola and Ayeni-Agbaje (2015) investigated the tax structure and economic growth in Nigeria: A disaggregated empirical evidence from 1986 to 2012. The Engel–Granger Co-integration and ECM methods were used. The result showed that tax revenue has a linear association with economic growth. Specifically, tax from petroleum profits and corporate income tax were found to be beneficial to growth. In the study, personal income tax and the custom and excise duties appear not encourage growth.

Eyisi, Oleka and Bassey (2015) studied the effect of taxation on macroeconomic performance in Nigeria for the period 2002 to 2011 using OLS method. The outcome showed that tax revenue significantly impacted on economic growth. Also, tax revenue has a negative and significant influence on unemployment rate.

Inyiama and Ubesie (2016) used simple regression technique to find out the effect of VAT and Customs & Excise Duties on Nigeria's economic growth. Secondary sources were explored in data gathering. The outcome revealed that revenue from VAT and Customs and Excise Duties affected the growth of the country meaningfully.

Onakoya and Afintinni (2016) investigated the cointegration association between tax revenue and economic growth in Nigeria from 1980 to 2013. The Engle-Granger cointegration VECM techniques were used. The result revealed that a long run association existed between

taxation and economic growth. It also showed a significant positive relationship between taxes from petroleum profit, income from companies and GDP, but a negative association between GDP and customs and excise duties. Moreover, the tax variables were together not significant in influencing the country's economic growth.

Using Error Correction model, Inimino, Abuo and Bosco (2018) examine how revenue from taxes has impacted on economic growth in Nigeria spanning 1980 to 2015. The result revealed that company income tax and customs and excise duties have positive and significant association with economic growth in Nigeria. However, petroleum profit tax impacted on economic growth in Nigeria but not significantly.

In summary, the methodical review of the literature above suggests that there is yet a consensus to be reached on findings. The reasons for this include the different methodologies used by the different authors, the environments or settings under which the studies were carried out, the nature of data and sources in different jurisdictions and the policy thrust, among others could account for these differences. Besides, the proxy and concept of economic growth used by a number of the authors was the inflation-unadjusted Gross Domestic Product (GDP). In a setting, like Nigeria, where inflation is relatively uncontrolled, the use of the unadjusted Gross Domestic Product (GDP) is not good enough. In this study, the Real GDP was used as an inflation-adjusted measure that reflects the true value of all goods and services produced in a given year.

MATERIAL AND METHODS

Study and the Data

This study is quantitative in nature and employed the ex-post facto research design which is frequently employed as a substitute for true experimental research to test hypotheses about cause-and-effect relationships. The study used secondary data from 1980 to 2022 for the analysis. Vitrally, the researcher would have loved to cover from 1970 to 2023 but because of paucity of data the researcher decided to cover for the period data were available. Therefore, the period 1980 to 2022 was chosen because of paucity of data. Data for the study were collected from the various issues of statistical bulletin of Nigeria's apex bank.

Model Specification

In order to carefully investigate the effect of customs and excise duties on economic growth in Nigeria, the study adapted the model of Inyama, Oliver and Ubesie (2016) who in their study of the effect of value added tax and customs & excise duties on economic growth in Nigeria formed a model with Real Gross Domestic Product (RGDP) as a dependent variable

while value added tax and customs & excise duties were independent variables. This current study modified the model of Inyiyama, Oliver and Ubesie (2016). Therefore, the model for this study is presented thus:

$$RGDP_t = \alpha_0 + \alpha_1 CED_t + \alpha_2 INF_t + e_t \quad (1)$$

Where: RGDP is Real Gross Domestic Product (economic growth), CED is customs and excise duties, and INF is Inflation Rate, α_0 = intercept parameter, e = error term, $\alpha_1 - \alpha_2$ = slope parameters.

On the a priori, it is expected that; $\alpha_1 > 0$ and $\alpha_2 < 0$

Techniques of Data Analysis

This study employed unit root test via Augmented Dickey Fuller test (ADF), Autoregressive Distributed Lag (ARDL) and Granger causality techniques. The ADF unit root test helps to ascertain stationarity of the variables, and the general form of the ADF is presented thus:

$$\Delta y_t = \alpha_0 + \alpha_1 y_{t-1} + \sum \alpha_i \Delta y_i + \delta_t + U_t \quad (2)$$

Where: y is a time series, t is a linear time trend, Δ is the first difference operator, α_0 is a constant, n is the optimum number of lags in the independent variables and U is random error term. In order to examine the short-and long-term relations between treasury bills and economic growth, Autoregressive Distributed Lag (ARDL) was used. The reason is that estimates provided by ARDL method avoid problems such as autocorrelation and endogeneity, they are unbiased and efficient. The ARDL model for this study is presented thus:

$$\begin{aligned} \Delta \ln RGDP_{t,j} = & C_0 + C_1 \ln RGDP_{t-1,j} + C_2 \ln CED_{t-1,j} + C_3 \ln INF_{t-1,j} + \sum_{i=1}^{n1} a_{1i,j} \Delta \ln RGDP_{t-1,j} \\ & + \sum_{i=0}^{n2} a_{2i,j} \Delta \ln CED_{t-1,j} + \sum_{i=0}^{n3} a_{3i,j} \Delta \ln INF_{t-1,j} + \lambda ECM_{t-1} + \mu_t \quad \text{--- --- --- (3)} \end{aligned}$$

Where: Δ is the difference operator while μ_t is white noise or error term, n is the optimal lag length, $\alpha_1, \alpha_2, \alpha_3, \alpha_4$ represent the short run dynamics of the model and c_1, c_2, c_3, c_4 are the long run elasticities and μ_t is the error term. ECM_{t-1} is the error correction term obtained from the co-integration model. The error coefficients (λ_1) show the rate at which the co-integration model corrects its previous period's disequilibrium or speed of adjustment to restore the long run equilibrium relationship. The coefficient of ECM is expected to be negative and statistically significant. A negative and significant ECM_{t-1} coefficient implies that any movement in short run between the explained and independent variables will converge back to the long run relationship.

Granger Causality Test

Granger causality test shows the direction of effect between two time series. Such effect could be bidirectional, unidirectional and independence causality. Granger (1969) defined causality in the time series context as a situation where a variable CED_t is causal for a variable $RGDP_t$ if the information in CED_t is helpful for improving the forecasts of $RGDP_t$. This is often referred to as Granger-causality. Granger causality relations for the study are specified as follows:

$$RGDP_t = \sum_{i=1}^n \alpha_i CED_{t-1} + \sum_{j=1}^n \beta_j RGDP_{t-1} + u_{it} \dots \dots \dots (5)$$

$$PPT_t = \sum_{i=1}^n \alpha_i RGDP_{t-1} + \sum_{j=1}^n \beta_j CED_{t-1} + u_{it} \dots \dots \dots (6)$$

RESULTS AND DISCUSSION

The empirical analysis focused mainly on estimation of the regression model and post estimate test.

Unit Root Test Result

To avoid spurious regressions which may arise as a result of carrying out regressions on time series data, the study first subjected the data to stationarity test by using the Augmented Dickey Fuller (ADF) test. The stationarity status of the data series is presented in Table 1.

Table 1: Augmented Dickey-Fuller (ADF) Unit Root Test

Variables	Level form		First difference		Order of integration
	ADF Statistics	5% Critical Value	ADF Statistics	5% Critical Value	
RGDP	-2.086925	-3.526609	-7.143228	-3.523623	1(1)
CED	-2.524622	-3.520787	-8.342592	-3.523623	1(1)
INF	-3.740033	-3.523623	-	-	1(0)

Note: RGDP, CED and INF as earlier defined

Source: Authors' Computed Result from (E-views 10)

The result of the ADF test for each of the series presented in Table 1 reveals that at five per cent level of significance, INF was stationary at level 1(0) as its respective ADF statistics are greater than 5 per cent critical values, while RGDP and CED were stationary at first difference

1(1). Given that the variables were integrated of order 1(0) and 1(1). The requirement to fit in an ARDL model to test for long run relationship is satisfied.

Table 2: ARDL Bounds Test for Co-integration

Model		F-Statistic = 32.30025
RGDP= F(CED, INF)		K = 2
Critical Values	Lower Bound	Upper Bound
5%	3.1	3.87

Source: Authors' Computed Result from (E-views 10)

The result of the ARDL bounds test for co-integration reveals that there is a long run relationship amongst the variables (RGDP, CED and INF). This is because the computed F-statistic of about 32.3 is greater than the upper critical bounds at 5% critical value. This provided evidence to discard the null hypothesis of no cointegration at 5% significance level for the RGDP model. Based on this finding, the study obtained the long-run and short-run dynamic parameters for the variables.

Table 3: Estimated ARDL Long Run Coefficients. Dependent Variable: RGDP ARDL (1, 2, 4)

Regressors	Coefficient	t-Statistic	P-Value
LOG(CED)	0.260907	16.84210	0.0000
INF	-0.021127	-6.474540	0.0000

Source: Authors' Computed Result from (E-views 10)

The estimated ARDL long run coefficients in Table 3 reveal that in the long run, customs and excise duties has positive and significant relationship with RGDP (economic growth) in Nigeria. At the same time, inflation rate has negative and significant relationship with RGDP (economic growth).

Table 4: Error Correction Representation for the Selected ARDL Model ARDL (1, 2, 4)

Regressors	Coefficients	t-Statistic	P-Value
LOG(CED)	0.022324	3.194426	0.0034
INF	0.001029	3.401917	0.0020
ECM (-1)	-0.149732	-11.94013	0.0000

$R^2 = 0.786256$; D-W stat.= 2.267358; Akaike info criterion= -4.585421; Schwarz criterion= -4.286833

Source: Authors' Computed Result from (E-views 10)

Table 4 displays the result of the short-run dynamic coefficients associated with the long-run relationships obtained from the ECM equation. The error correction term in the model has the right sign (i.e., negative) and statistically significant. This suggests that deviations from the short-term in economic growth adjust to long run equilibrium. Table 4 also indicates that the dynamic model is a good fit. This is because the R^2 value of 0.786256 which is approximately 0.79 indicates that the variation in economic growth explained by customs and excise duties, as well as inflation rate is 79 percent. Meanwhile, the remaining 21 percent is captured by the error term. The Durbin Watson (DW) value of 2.267358 suggests that the model is free from autocorrelation.

Moreover, the coefficient of customs and excise duties appeared with positive sign and statistically significant. Thus, a percentage increase in customs and excise duties will increase economic growth by 0.022324%. Also, the t-statistic of 3.194426 with the t-prob of 0.0034 showed that there is a significant relationship between customs and excise duties and economic growth in Nigeria during the period of study. The above finding corroborates the empirical studies of Inyiama, Oliver and Ubesie (2016); as well as Inimino, Abuo and Bosco (2018) who unambiguously affirmed that customs and excise duties have positive and significant relationship with economic growth in Nigeria.

Moreover, the coefficient of inflation rate appears with a positive sign. This is not consistent with theoretical expectation in economics. Thus, a percentage increase in inflation rate will increase economic growth by 0.001029 per cent. In general, very high levels of inflation may undermine economic growth. However, if the rate of inflation is low, stable and sustainable, it may be interpreted as an indicator of macroeconomic stability that would enhance economic growth. Meanwhile, the absolute value of the t-statistic for the slope coefficient is significant. Thus, the study concluded that there is a significant relationship between inflation rate and economic growth in Nigeria.

Table 5: Pairwise Granger Causality Test Result

Direction of Causality	No of Lag	F-Value	Prob.	Decision
LOG(CED) → LOG(RGDP)	2	5.50802	0.0082	Reject Ho
LOG(RGDP) → (CED)	2	0.04865	0.9526	Accept Ho
INF → LOG(RGDP)	2	0.69267	0.5068	Accept Ho
LOG(RGDP) → INF	2	2.62563	0.0862	Accept Ho

Source: Authors' Computed Result (2023), Using E-Views 10

The result of Table 5 above showed that customs and excise duties (CED) granger caused economic growth (RGDP). This implies that there is a unidirectional causality from customs and excise duties (CED) to economic growth (RGDP). This also implies that there are no responses. The implication of this result is that historical variations in customs and excise duties (CED) can be used to predict the future variation in economic growth (RGDP). It follows therefore that the performance of customs and excise duties (CED) influences to a large extent economic growth (RGDP) in Nigeria during the period of study. This also reveals that the variable - customs and excise duties (CED) in this study is an important variable for achieving increase in economic growth (RGDP) in Nigeria. However, the result further reveals the existence of independence causality between inflation rate (INF) and economic growth (RGDP) during the period of study.

Post Estimation Diagnostic Tests Results

Diagnostic tests were conducted in this study to verify whether or not the estimated model is reliable for policy prediction or recommendation purpose. This study specifically employed the Wald test for coefficient of restriction, Breusch-Godfrey (B-G) Lagrange Multiplier (LM) test for serial correlation and normality test for the diagnostics or post-estimation analyses. The various test results are hereby reported in Table 6, 7 and Figure 1.

Wald Test

The Wald test is applied to confirm if the coefficients of the causal variables in the ECM model are jointly significant. The F-statistic in Tables 6 was utilized to ascertain this.

Table 6 Wald Test Result

Wald Test:			
Equation: Untitled			
Test Statistic	Value	Df	Probability
F-statistic	48779.31	(3, 29)	0.0000
Chi-square	146337.9	3	0.0000

Source: Authors' Computed Result from (E-views 10)

The result in Table 6 shows that the F-statistic is approximately 48779 and the probability value of 0.0000 is less than 0.05 at the conventional 5 per cent level. Therefore, all the independent variables used in the model are jointly important in explaining economic growth in Nigeria during the period of study.

Test for Serial Correlation

The Breusch-Godfrey Serial Correlation LM test was used as a higher order test statistic for testing the null hypothesis of no serial correlation against the inferred alternative hypothesis of serial correlation in the ECM result at 5 per cent level of significance.

Table 7: Breusch-Godfrey Test for Serial Correlation

Breusch-Godfrey Serial Correlation LM Test:			
F-statistic	0.661395	Prob. F(2,27)	0.5243
Obs*R-squared	1.821460	Prob. Chi-Square(2)	0.4022

Source: Computed by the researcher using E-Views 10.

The result as displayed in Table 7 reveals that the error correction model is not suffering from serial autocorrelation problem. This is because the chi-square value and the corresponding probability value of the chi-square statistic surpass the 0.05.

Normality Test Result

The Jarque-Bera statistic was applied to examine whether the error term in the output growth model is normally distributed at 5 per cent significance level.

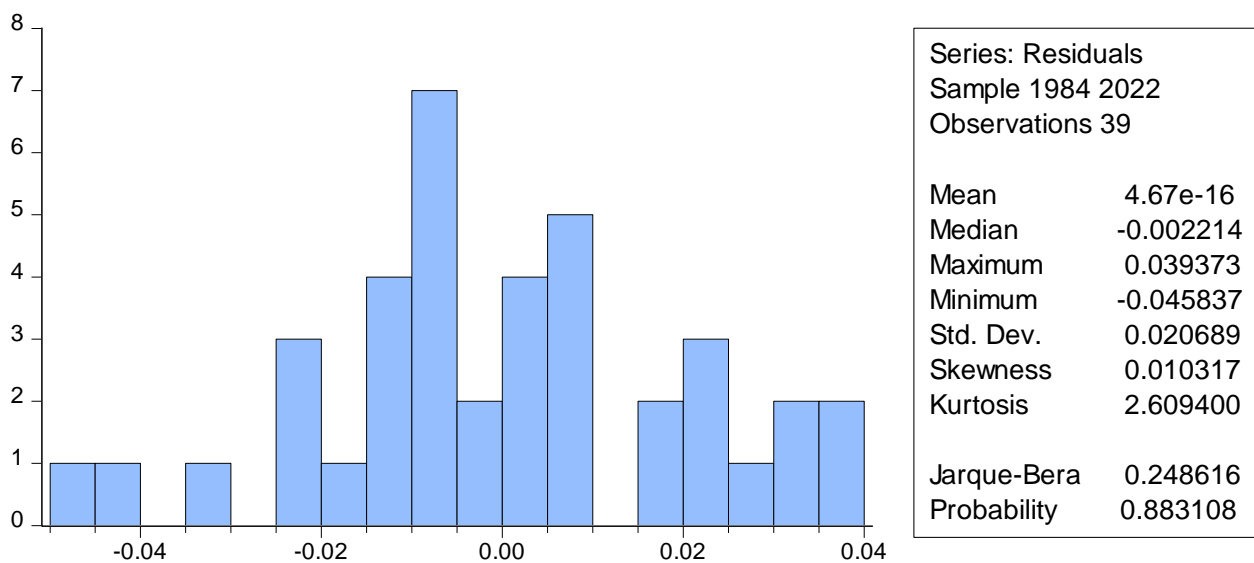


Figure 1: Normality Test Result

Source: Computed by the researcher using E-Views 10.

The result shown in Figure 1 depicts that the error term is normally distributed at the conventional level (i.e., 5%). This is because the probability value of the Jarque-Bera statistic of

approximately 0.88 is greater than the 0.05% conventional level. This implies that the Jarque-Bera statistic hypothesis of normally distributed residuals in the ECM model is accepted.

CONCLUSION AND RECOMMENDATIONS

This paper examined the effect of customs and excise duties on economic growth in Nigeria from 1980 to 2022 because of the special position which customs and excise duties occupy in the Nigerian economy. Time-series data on real gross domestic product, customs and excise duties, as well as inflation rate were collected from CBN statistical bulletin and analyzed via Autoregressive Distributed Lag Bounds testing and granger causality test techniques. The conclusion from the empirical results is that customs and excise duties contribute positively and significantly to economic growth in Nigeria both in the short and long runs. At the same time, in the long run, inflation rate has negative and significant relationship with economic growth in Nigeria but in the short run inflation rate has positive and significant relationship with economic growth. In addition, the result revealed a unidirectional causality from customs and excise duties to economic growth. The result further revealed the existence of independence causality between inflation rate and economic growth during the period of study. Therefore, the study recommended that government should boost revenue from customs and excise duties. This can be achieved by designing a method to collect customs and excise duties digitally. Also, establish an efficient and effective tax administration to reduce the level of tax evasion in Nigeria which in turn will further increase revenue from customs and excise duties, as well as boost economic growth in Nigeria. Moreover, it is obvious that the subject matter of this study is by no means exhausted in this paper. Therefore, further studies should extend the time frame covered by this study and focus on the effect of customs and excise duties on other macroeconomic variables in Nigeria.

REFERENCES

- Adaramola, A. O. & Ayeni-Agbaje, A. F. (2015) Tax Structure and Economic Growth in Nigeria: A Disaggregated Empirical Evidence (1986–2012). *Research Journal of Finance and Accounting*, 6(14), 1-12.
- Central Bank of Nigeria (2007). *Statistical Bulletin, Volume 18, December, 2007*.
- Central Bank of Nigeria (2013). *Annual Economic Report, 31st December, 2013*.
- Central Bank of Nigeria (2014). *Annual Economic Report, 31st December, 2014*.
- Central Bank of Nigeria (2015). *Annual Economic Report, 31st December, 2015*.
- Central Bank of Nigeria (2016). *Annual Economic Report, 31st December, 2016*.
- Central Bank of Nigeria (2017). *Annual Economic Report, 31st December, 2017*.
- Central Bank of Nigeria (2018). *Annual Economic Report, 31st December, 2018*.
- Central Bank of Nigeria (2019). *Annual Economic Report, 31st December, 2019*.
- Central Bank of Nigeria (2019). *Statistical Bulletin, Volume 30, December, 2019*.

- Ebiringa, O. T. & Emeh, Y. (2012). Analysis of Tax Formation and Impact on Economic Growth in Nigeria. *International Journal of Accounting and Financial Reporting*, 2(2), 367-385.
- Eyisi, A. S., Oleka, C. D. & Basse, B. E. (2015). An Empirical Investigation of the Effect of Taxation on Macroeconomic Performance in Nigeria. *Journal of Economics and Sustainable Development*, 6(6), 175-184.
- Inimino, E. E., Abuo, M. A. & Bosco, I. E. (2018). Taxation and Economic Growth in Nigeria. *International Journal of Research and Innovation in Social Science*, 2(4), 113-122.
- Inimino, E. E., Otubu, O. P. & Akpan, J. E. (2020). Petroleum profit tax and economic growth in Nigeria, *Asian Journal of Sustainable Business Research*, 1 (2), 121-130.
- Inyama, O. I. & Ubesie, M. C. (2016). Effect of Value Added Tax, Customs and Excise Duties on Nigeria Economic Growth. *International Journal of Managerial Studies and Research*, 4(10), 53-62.
- Jones, E., I., Ihendinihu, J. U. & Nwaiwu, J. N. (2015) Total Revenue and Economic Growth in Nigeria: Empirical Evidence. *Journal of Emerging Trends in Economics and Management Sciences*, 6(1), 40-46.
- Onakoya, A. B. & Afintinni, O. I. (2016). Taxation and Economic Growth in Nigeria. *Asian Journal of Economic Modelling*, 4(4), 199-210.
- Salami, G. O., Apelogun, K. H., Omidia, O. M., & Ojoye, O. F. (2015). Taxation and Nigerian Economic Growth Process. *Research Journal of Finance and Accounting*, 6(10), 93-101.
- Umo, J. U. (2012). *Economics an African Perspective*. Second Edition Millennium Text Publishers Limited Plot 6B, Block 22, Humanities Road, Unilag Estate, Magodo, Isheri Lagos Nigeria.
- Worlu, C. N. & Emeka, N. (2012). Tax Revenue and Economic Development in Nigeria: A Macroeconometric approach, *Academic Journal of Interdisciplinary Studies*, 1(2), 211-223.