International Journal of Multidisciplinary Innovative Research
ISSN: 2583-0228 Volume 3, Number 1 (Jan' 2023) pp. 14-24

https://www.ijmir.org
Article Received: 11 Oct' 2022; Accepted: 16 Nov' 2022.

Review Article

Impact of Value Added Tax on Private Consumption Expenditure on Manufactured Goods in Nigeria

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ABSTRACT: ***This study examined how Nigerian private consumption spending on manufactured goods was impacted by VAT. It was found that no study had attempted to evaluate the impact of VAT on private consumption spending of manufactured goods in Nigeria, despite the fact that quite a few studies had attempted to determine the influence of VAT on private consumption expenditure in Nigeria in recent years. Furthermore, in the studies that sought to ascertain the effect of VAT on private consumption expenditure in Nigeria, certain elements that might have a significant short- and long-term impact on private consumption expenditure, such as real GDP, private domestic credit, and infrastructure, were not taken into consideration. This study attempted to assess the impact of important variables that are believed to have a substantial impact on private consumption spending in order to make it highly predictable. The study set out to determine the variables—including value added tax, per capita income, consumer price index, real GDP, private domestic credit, and infrastructure—that have an impact on private consumption spending on manufactured goods in Nigeria. From 1990 through 2021, time series data were used for the investigation. The ARDL method was used to examine the immediate and long-term effects of VAT on private consumption expenditure in Nigeria. The findings demonstrate that value added tax (VAT), consumer price index (CPI), per capita income (PCI), and infrastructure (INFR) all significantly and positively influence private consumption expenditure (PCE) of manufactured goods in Nigeria over the short and long terms, while real GDP and private domestic credit (PDC) have the opposite effects. However, only PDC has a significant impact on PCE. The study concludes that the primary determinants influencing private consumption spending of manufactured goods in Nigeria are infrastructure, per capita income, consumer price index, and value added tax. One important policy implication is that, in addition to value added tax, other strategies to encourage private consumption and enhance living standards in Nigeria include maintaining price stability, implementing a moderate tax structure, and funding fundamental infrastructure.***

KEYWORDS: ***Value Added Tax (VAT), ARDL, Private Consumption, GDP, Manufacturing.***

INTRODUCTION

Sustainable growth and development should be the top objective for any modern state. However, this objective cannot be accomplished if particular infrastructures are not put in place. This may assist to explain why contemporary governments are so focused on figuring out how to make money readily available so they can advance their social goals. (2010) Noah and Fable. The level of private consumption expenditure and consumption has consistently emerged as a crucial determinant of growth and development. Therefore, through a variety of

policies, programs, and sector reforms, the Nigerian government has made multiple attempts to simultaneously raise real private consumption, particularly of manufactured products, and private consumption spending. However, these programs haven't been able to boost actual private consumption and private consumption spending at the same time. According to the 2018 World Development Index, real private consumption of manufactured goods and private consumption expenditures continue to be very inconsistent, rising at times and falling at others. For instance, in real terms, private consumption spending on manufactured products was 24.3 billion Naira in 2000, or 66.7 percent of GDP. However, by 2003, private consumption expenditures on manufactured products had surged to 54.51 billion Naira and real private consumption had risen to 102.8 percent of GDP. Despite spending increasing to 91.99 billion Naira in 2006, private consumption decreased to 58.5 percent of GDP. These variations all clearly show how private consumption expenditures have changed over time in the Nigerian economy.

Although several research have examined the impact of some significant elements, like VAT, on private consumer expenditure in Nigeria, the majority of these studies have not concentrated on a particular class of commodity. Given that the decision to incur costs for private consumption in the economy is influenced by a number of significant factors, it is possible that this unstable trend in private consumption spending is the result of a failure to consider potential factors that could have a significant impact on private consumption expenditure of manufactured goods to some extent. To make sure that it is largely predictable, it is vital to thoroughly examine those key factors or variables that may have a significant impact on private consumer expenditure on manufactured goods in the Nigerian economy. This study examines how the VAT affects private consumer spending on manufactured goods in Nigeria in light of the foregoing.

THEORETICAL FRAMEWORK AND LITERATURE REVIEW

The theoretical framework

Keynes' 1936 proposal for the absolute income hypothesis is known as the absolute income hypothesis. However, the drift hypothesis put out by James Tobin and Arthur Smithies is primarily responsible for later developments in the theory. According to Keynes, men generally "raise their spending as income increases but not by much as their gain in income." In other words, the average propensity to consume increases along with the absolute level of wealth. Consumption will therefore rise together with income, albeit possibly not at the same rate. Keynes (1936) argued that the average propensity to consume (APC) from current income would be greater than the marginal propensity to consume, resulting in a decrease in the income elasticity of the consumption pattern below the elasticity of unity. Keynes recognized the relationship between income and consumption as a critical macroeconomic relationship. Dussenberry, however, put out the Relative Income Hypothesis in (1946). According to the hypothesis, a person's attitude toward saving and consuming is influenced less by an abstract standard of living and more by his income in contrast to others in the same broad area. In other words, how much money a person spends depends on where they fall in the income distribution's percentile scale.

Taxation theories

Erik Lindahl and Knut Wicksell introduced the benefit theory of taxation in 1896. (1919). The idea is that people should be taxed in proportion to the benefits they receive from the

government. In other words, a person should be obliged to pay more taxes the more benefits they obtain from government efforts. The theory is sometimes contrasted with how private products are distributed by prices. The benefit approach, which is used to assess the efficacy of taxation and fiscal policy, was first developed by two economists from the Stockholm School. The Cost-of-Service Theory is another taxation theory. This theory contends that taxes should be levied by the government in proportion to the cost of the services it renders. All citizens should contribute to the expense of the government's provision of some services to citizens. The cost of the benefit received by an individual must be offset by the amount of taxes they pay. It also suggests that the costs incurred by the government in supplying public goods to meet societal demands should serve as the basis for taxation.

Review of Empirical Literature

Only a small number of research have examined taxes, particularly value added tax, in relation to how private consumers spend their money on products and services, despite the fact that many studies have examined the factors that affect consumption. Fasoranti (2009) discovered that consumption was positively connected with current income, expected pension funds, equities, and durable assets but negatively correlated with expected future income and bank deposits. His research centered on the variables affecting the consumption habits of rural Ondo State population. Akekere & Yousuo (2012) used the simple regression technique to investigate the impacts of a change in income on private consumption expenditure in Nigeria. The results showed that the gross domestic product had a strong positive impact on Nigeria's private consumption spending. The study concludes that in order to enhance macroeconomic stability, the government should promote private investment in the development of human capital.

Khan (2014) used the straightforward multiple regression method to perform an empirical examination into the variables affecting household consumption in Pakistan. The findings demonstrated that household current income level, family size, educational attainment, and social status all had a favorable impact on household consumption. Multiple regression analysis was utilized by Ezeji & Ajudua (2015) to examine the variables affecting total consumer spending in Nigeria. The results of the study showed a positive relationship between income and consumption. The study's findings show that the Keynesian consumption model and Nigeria's consumption function are compatible. To raise the real worth of consumer income and promote spending, it was advised that actions be made to combat inflation. An empirical investigation of the variables affecting household food expenditure was carried out by Umar, Aliero, and Gatawa (2018) using the ordinary least square regression method. According to the study's findings, household head income and marital status have a big influence on how much food costs. By creating regulations that increase worker income levels, a greater standard of life can be ensured in the studied region. As a result, their purchasing power will rise, food insecurity will decline, and food-related poverty will decline.

Ibbih & Siyan (2018) also used an autoregressive distributed lagged model to assess the variables affecting household consumption in Nigeria. The results show that variables other than nominal income have an impact on how much people eat. Among them are things like anticipated income, savings, family size, level of education, age, and sex. The peculiarities and modern traits of the consumer function and their consumption habits in a developing economy are reflected in these variables. Obiakor, Kwarbai, and Okwu (2015) conducted a study on the VAT and consumer expenditure behavior of families in Nigeria using the multiple regression technique. Their empirical results showed that VAT has a considerable impact on both durable and non-durable items. Additionally, it showed that neither the CPI nor past expenditure levels were significantly impacted by the VAT. The analysis concluded that the VAT rate should not

be increased because doing so would likely negatively affect households and lead the consumer price index to fall below zero. Ajibola & Olowolaju (2017) conducted an empirical examination of how taxes affect household consumption in Nigeria using multiple regression analysis. The research showed that whereas inflation and corporate income tax had a negative effect on household consumption expenditures, VAT had a favorable effect. The study came to the conclusion that the government should ensure that inflation is kept to a minimal in order to increase family consumption. Adegbite (2018) used the error correction component of the multiple regression technique to calculate the effect of VAT on household consumption spending in Nigeria. The empirical results showed that while disposable income had a beneficial influence on household consumption expenditure, VAT and interest rates had a significant and adverse long-term impact on that spending. In order to lessen the impact of this tax on households, it was advised that the government make effective use of the tax system by spending money on infrastructure and public goods and services.

This study shows how the value added tax and other factors have an impact on Nigeria's private consumption expenditure on manufactured goods.

METHODOLOGY

Model Specification

The Autoregressive Distributed Lag (ARDL) technique was used in this investigation. This method is more statistically significant for determining cointegrating relationships in small samples than the johansen cointegration techniques, which require larger samples for the results to be valid. It was first introduced by Pesaran and shin (1999) and later expanded by Pesaran et al. (2001) (ghatak and siddiki, 2001). Another benefit of ARDL is that it may be applied regardless of the order of integration of the regressors, unlike other cointegration approaches that need all of the regressors to be integrated in the same order. This prevents the pre-testing issues that come with regular cointegration tests (Pesaran et al,2001). According to Pahlavani (2005), using the ARDL approach would be preferable to using other cointegration techniques if the unit root features of the data were not known with certainty. Additionally, unlike johansen cointegration techniques do not permit it, the ARDL methodology permits various variables to have different optimal delays.

Additionally, traditional tests like the Philips-Perron or Augmented Dickey Fuller (ADF) (1979, 1981) are frequently employed to detect the presence of unit roots in time series data. As a result, this employs both ADF, PP and Kwiatkowski-Phillips-Schmids-Shin (KPSS) in order to overcome the problems of incorrect indication of unit root in a series. Recent contributions to the literature, however, suggest that such tests may be incorrectly indicated the existence of a unit root; when in fact the series is stationary around a one-time structural break (zivot and Andrews 1992; pahlavani, et,al 2006 Pesaran (1997) estimates the following ARDL model of order p and q, ARDL(p,q):

$$Y_t=\alpha_0 +\alpha_{1t} +\sum_{t=i}^{p} \Phi i\ y_{t-i} +\sum_{i=0}^{q} \beta f t\ X_{t-i} + \varepsilon_t \quad \dots (1)$$

Where Y_{t-1} is the lagged dependent variable, X_t is a K-dimensional vector of explanatory variables,

$$\Delta yt= \alpha o + \gamma ECMt\text{-}1 + \sum^{p}t=i\delta$$

where 't' is the passage of time, α_0 is the intercept, and ε_t is a serially uncorrelated distance with a mean of zero and a constant variance-covariance. The coefficients Φi and β^f are row vectors as opposed to scalars. to measure the short-term impact of Nigeria's manufacturing production, real GDP growth rate, per capita income, private domestic credit, infrastructure,

consumer price index, and private consumption spending on manufactured goods. In the form of an error correction model (ECM), the ARDL model is calculated. By rewriting equation (1) in terms of the lagged levels and first difference of yt and xt, the ECM version of the chosen ARDL model may be derived as:

$$i\Delta yt\text{-}i+\sum^{q}i=0\varphi t\Delta xt\text{-}i+\varepsilon t \quad \ldots (2)$$

Where ECM is the error correction mechanism and δt and φI are the model's short-run dynamics-related coefficients. The size of the error correction term coefficient (γ) reveals how quickly the dependent variable was brought into equilibrium during the preceding period.

The model can be seen in functional form below:

$$PCE= F (VAT, PCI, CPI, RGDP, PDC, INFR) \quad \ldots (3)$$

Where:

PCE= Private Consumption Expenditure on Manufactured Goods

VAT = Value Added Tax Revenue

PCI = Per capita income

CPI = Consumer Price Index

RGDP = Real GDP Growth Rate

PDC= Private Domestic Credit

INFR= Infrastructure

This model can be transformed in to econometrics form for the analysis.

$$\Delta Ln(PCE)_t=\beta_o+\beta_1 Ln(VAT)_{t-1}+\beta_2 Ln(PCI)_{t-1}+\beta_3 Ln(CPI)_{t-1}+\beta_4 Ln(RGDP)_{t-1}+\beta_5 Ln(PDC)_{t-1}+\beta_6 Ln(INFR)_{t-1}+\beta_7 Ln(MOP)_{t-1}+\sum_{i-1}^{m}\gamma 1\,\Delta \ln VAT_{t-I}+\sum_{i-1}^{m}\theta 2\,\Delta LnPCI_{t-I}+\sum_{i-1}^{m}\eta 3\,\Delta LnCPI_{t-1}+\sum_{i-1}^{m}\mu 4\,\Delta LnRGDP_{t-1}+\sum_{i-1}^{m}\pi 5\,\Delta LnPDC_{t-1}+\sum_{i-1}^{m}¥6\,\Delta LnINFR_{t-1}+\sum_{i-1}^{m}\Omega 7\,\Delta LnINFR_{t-1}+\varphi 1ECM1t_{-1}+\mu_t \quad \ldots (4)$$

Where:

β_o = the intercept,

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \beta_7$ = the long-run coefficient of the variables under investigation.

$\gamma, \theta, \eta, \mu, \pi, ¥, \Omega$ =the short run coefficients of the variables under study.

Δ = difference operator,

m = lag length of the variables

$\varphi 1$ = the Speed of adjustment

$ECM1_{t-i}$

μ_t

H_0: $\beta_0 = \beta_1 = \beta_2 = \beta_3$ to $\beta_7 = \gamma 1 = \theta 2 = \eta 3$ toΩ (No long run relationship exist)

The data for this study, however, came from a variety of secondary sources, including the central bank of Nigeria statistical bulletin, the World Bank development indicator, the federal Inland Revenue services and the national bureau of statistics.

RESULTS AND DISCUSSIONS

In order to prevent erroneous results, this study began with a unit root test utilizing Augmented Dickey-Fuller (ADF), and different residual tests, including serial correlation, heteroskedasticity, and normality test, were carried out. The cointegration between the variables is investigated using the Autoregressive Distributed Lag (ARDL) method for analyzing log run relationships.

Stationary Test Results

Table 1 shows the outcomes of the unit root test performed on the variables under investigation. The results of the ADF are presented in Table I, which demonstrates that while the Consumer Price Index (CPI), Real GDP Growth Rate (RGDP), and Private Domestic Credit are stationary at levels, the Private Consumption Expenditure (PCE), Value Added Tax Revenue (VAT), Per Capita Income (PCI), and Infrastructure (INFR) are stationary at first difference. To put it another way, the majority of variables, such as PCE, VAT, PCI, and INFR, are integrated of order one, or I (1), while CPI, RGDP, and PDC are integrated of order zero, or I (0).

Table 1. Unit Root Test Results

Variables	ADF statistics	Critical value at 5%	Order of integration.
PCE	-4.547402	-2.998064	1(1)
VAT	-5.357663	-2.998064	1(1)
CPI	-5.124600	-2.998064	1(0)
RGDP	-4.169291	-3.004861	1(0)
PCI	-5.133164	-2.998064	1(1)
INFR	-5.192811	-2.998064	1(1)
PDC	-3.017380	-2.998064	1(0)

[Source: Researchers' computation using e-view 10]

Table 2: Lag Length Selection Criteria for the models

Lag	LogL	LR	FPE	AIC	SC	HQ
0	-127.7542	NA	831.0953	9.553875	9.839347	9.641147
1	-114.9718	19.17374*	359.6807	8.712268	9.045319	8.814085
2	-113.4667	2.150028	348.8620	8.676195	9.056825	8.792558
3	-110.8119	3.603032	312.2285*	8.557991*	8.986199*	8.688898*

The lag length selection criterion table is taken from table 2 above. This indicates that the model's lag length is lag 3. This is true because for lags of zero (0) and one (1), the lowest values of AIC, SBC, and HQC are lower than the higher maximum values (1) As a result, lag three is chosen as the model's ideal maximum lag. Table 3's ARDL long-run estimated result reveals that only PDC is significant in the long-run, while RGDP is not. Four explanatory variables exhibit positive relationships with the dependent variable in the long run, while two other variables, such as RGDP and PDC, show negative relationships with PCE. According to the long-term results, CPI, PCI, VAT, and INFR all had favorable long-term relationships with PCE, however PCI and VAT had a considerable long-term impact on PCE while CPI and INFR did not. These imply that a 1% increase in PCE, PCI,VAT, CPI, and INFR will, respectively, result in long-term increases of 0.12, 0.06, 0.11, and 0.26 percent. In the long run, however, a 1% increase in PCE, RGDP, and PDC will result in decreases of 1.73 % and 2.91 %, respectively.

Table 3: ARDL Long-Run Estimated Result

Variables	Coefficient	Std. Error	t-Statistic	Prob.
RGDP	-1.734908	1.607276	-1.079409	0.3595

CPI	0.107325	0.113541	0.945248	0.4143
PCI	0.117237	0.009715	12.06818	0.0012
VAT	0.059499	0.011075	5.372653	0.0126
PDC	-2.914395	0.486315	-5.992807	0.0093
INFR	0.263634	0.291902	0.903159	0.4330
C	0.208806	15.70286	0.013297	0.9902

R-Squared 74%, Adjusted R-squared 71%, DW 2.288 Prob(F-statistic) 0.0000

Table 4: ARDL Bound Test

Test Statistic	**Value**	**K**
F-statistic	24.18738	6
Critical Value Bounds		
Significance	**I0 Bound**	**I1 Bound**
10%	1.99	2.94
5%	2.27	3.28
2.5%	2.55	3.61
1%	2.88	3.99

[Source: Researchers' computation using e-view 10]

The ARDL bound test result indicates that in Nigeria, there is a long-term relationship between PCE, RGDP, VAT, PCI, CPI, PDC, and INFR. This suggests that private spending on consumer products has an effect on the real growth rate of the domestic product, value added tax revenue, per capita income, and consumer price index in the country over the short and long terms. This is supported by the F-statistics values of 24. 18738, which are higher than the top and lower bounds at the 10%, 5%, 2.5, and 1% critical levels, indicating that we will accept the alternative and reject the hypothesis that there is no long-term link between the variables under consideration. The absence of a long-term link between the variables under study is shown when the F-Statistic values are lower than both the lower and upper boundaries.

The short run results of the ARDL Model.

The brief results show the short-term effects of the explanatory variables on the dependent variables. The short run with the three lags of the explanatory variables is shown in the table below. The delays depict how the independent variables affect the dependent variable over various time periods. This implies that the effects of the factors at various times will differ.

Table 5: The Short-Run Results

Variable	**Coefficient**	**Std. error**	**t-statistics**	**Prob.**
D (RGDP)	-0.994622	0.303864	-3.273250	0.0467
D (RGDP (-1))	1.380427	0.260937	5.290276	0.0132
D (RGDP (-2))	-0.453469	0.341901	-1.326316	0.2767
D(CPI)	-0.242248	0.048043	-5.042359	0.0150
D (CPI (-1))	-0.338754	0.049740	-6.810488	0.0065

D (CPI (-2))	-0.222922	0.043231	-5.156535	0.0141
D(PCI)	0.073075	0.002872	25.43982	0.0001
D (PCI (-1))	-0.012021	0.003708	-3.241831	0.0478
D (PCI (-2))	-0.019970	0.003595	-5.554568	0.0115
D(VAT)	0.045507	0.004886	9.314573	0.0026
D (VAT (-1))	0.007849	0.003899	2.013257	0.1375
D (VAT (-2))	0.013175	0.004908	2.684081	0.0748
D (PDC)	-1.614683	0.156391	-10.32463	0.0019
D (PDC (-1))	3.332877	0.207540	16.05896	0.0005
D (PDC (-2))	2.224434	0.263995	8.426036	0.0035
D(INFR)	0.495687	0.071253	6.956739	0.0061
D (INFR (-1))	0.910379	0.070472	12.91827	0.0010
D (INFR (-2))	0.273392	0.071436	3.827098	0.0314
ECM (-1) *	-1.150852	0.045315	-25.39679	0.0001

R-squared 0.981634, Adjusted R-Squared 0.972681, F-statistic, 958.2728, Prob. (F-stat) 0.00000, Durbin Watson stat. 2.288149.

[Source: Researchers' computation e-view 10]

The F-statistics value in Table 5 was 958.2728 (p-value: 0.0000), indicating that both the RGDP, CPI, and PDC had negative and significant effects on private consumption expenditure of manufactured goods in Nigeria in the short run. This implies that a 1% increase in PCE will result in decreases of 0.99, 0.24, and 1-62 % in the RGDP, CPI, and PDC, respectively. In the near run, however, factors like PCI, VAT, and INFR had a favorable and considerable impact on private consumption expenditures in Nigeria. This suggests that in addition to a 1% increase in private consumer spending on manufactured products, Nigeria's per capita income (PCI), VAT, and INFR will all rise significantly by 0.7%, 0.05%, and 0.9%, respectively. Examine this at lag one: In Nigeria, PCE was negatively and significantly impacted by CPI and PCI in the short term, whereas PCE was positively and significantly impacted by RGDP, PDC, INFR, and VAT in the long term, with the exception of VAT, which is not significant. Additionally, when looking at the link at latencies 2 VAT, PDC, and INFR had substantial positive relationships with PCE in the short term, however at lag 2 both RGDP, CPI, and PCI had significant negative relationships with PCE, with only RGDP being non-significant. The ability of the modeled variables to explain phenomena It gauges how well the model fits the data. The corrected R-squared is 0.972681, and the R-squared value is 0.981634. This demonstrates that the explanatory factors included in the model account for almost 97 percent of fluctuations in the private consumption expenditure of manufactured products in Nigeria. However, 3% of the volatility is brought on by factors not included in the model. This suggests that the model is trustworthy.

Discussion of Findings

Using time series data from the 2018 World Development Indicator (WDI), the primary goal of this study is to analyze the effects of value added tax on private consumption expenditure in Nigeria between 1990 and 2021. The study used the Auto-Regressive Distributive Lag model (ARDL) for the empirical analysis in order to meet the study's stated goals.

First off, contrary to a priori expectations, the study's findings show that value added tax has a positive and significant influence on private consumer expenditure in Nigeria over the short and long terms. A percentage increase in value added tax is seen to raise private consumer expenditure on average by between 0.045507 (5%) and 0.059499 (6%) in both the short- and long-term, respectively, when other independent factors are held constant. This suggests a direct connection between value added tax and private consumer spending. More importantly, it's critical to comprehend that although value added tax is imposed on businesses and manufacturers, the ultimate cost ultimately falls on consumers. In Nigeria, VAT moves with private consumption spending since consumers cannot subsist without it. However, if the value added tax is decreased, private consumer spending will decline.

In addition, the study discovers that for the study period in Nigeria, the consumer price index has a short-term, negative, and considerable impact on private consumption spending, but a long-term, positive, and insignificant impact. This suggests that, given the current state of the economy, around 1% increase in the CPI will cause private consumption expenditure in Nigeria to reduce by 0.242248 (24%), holding all explanatory variables constant. The study demonstrated that PCI had both short- and long-term beneficial and significant effects on private consumption expenditures. This is consistent with the theoretical postulation that stated a rise in personal income per capita would lead to an increase in private consumer spending, though not by the same amount. According to this, private consumption spending increases as per capita income does. Additionally, we can see from the short- and long-run ARDL estimated results that, when other regressors are held constant, an average increase in per capita income will, in Nigeria, result in increases in private consumption expenditure of about 7% and 11% over the short- and long-terms, respectively. This demonstrates the considerable influence that per capita income has on private consumption expenditures in Nigeria.

SUMMARY AND CONCLUSION

This study looked at how the value added tax affected private consumer spending in Nigeria from 1990 to 2021. This research investigated economic ideas such as the absolute income hypothesis, permanent income, benefit theory of taxation, etc. in order to obtain mastery over the subject. The absolute income hypothesis was chosen for its theoretical underpinnings among the fundamental theories examined. The unit root test was conducted using the augmented dickey fuller (ADF), and the results show that while the consumer price index, real GDP, and private domestic credit were stationary at the first difference, private consumption expenditures, value added tax, infrastructure, and per capita income were stationary at level. The study chose the Autoregressive distributed lag model (ARDL) for the analysis due to the mixed order of integration, and the results demonstrate that value added tax has a favorable statistically significant impact on private consumption spending. Furthermore, the study found a correlation between per capita income and private consumer spending that is favorable. This suggests that rising per capita income will result in more consumption. It's crucial to realize that rising income does not correspond to rising consumption at the same rate. Once more, the study reveals that the impact of the consumer price index on private consumption spending is negative and large. On the other hand, private consumption expenditure was negatively and negligibly impacted by the real gross domestic product growth rate. According to the conclusions drawn from this research, infrastructure, per capita income, consumer price index, and value added tax all have a positive, considerable impact on private consumption expenditure. However, the pace of real GDP growth and private loans to domestic companies have little bearing on private consumption spending in Nigeria.

The study's conclusions are used to support some recommendations such as: instead of increasing taxes, FG should broaden the tax base to increase private consumer expenditure and

the standard of life while still generating enough money for the nation. The government should maintain price stability in order to promote consumption since the consumer price index has a substantial impact on private consumption expenditures. Finally, in order to promote private consumer spending and raise the standard of living, the government should provide a good infrastructure system capable of enhancing human physical, socioeconomic, and societal well-being.

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