



## Relationship That Exists Between Value-Added Industries Contributions, Institutional Governance, And Macroeconomics Components on Realization of Tax Revenue in Nigeria

Raji Mojeed Gbolagade

Department of Taxation The Polytechnic Ibadan, Nigeria

**Corresponding Author:** Raji Mojeed Gbolagade, [raji\\_mojeed64@yahoo.com](mailto:raji_mojeed64@yahoo.com)

---

### ARTICLE INFO

*Keywords:* Igcs, Mcs  
Realization of Tax Revenue,  
VAIC's

*Received:* 21 May

*Revised:* 23 June

*Accepted:* 28 July

©2026 Gbolagade: This is an open-access article distributed under the terms of the [Creative Commons Atribusi 4.0 Internasional](https://creativecommons.org/licenses/by/4.0/)



### ABSTRACT

The study investigates the relationship that exists between value-added industries contributions (VAICs), institutional governance components (IGCs) and macroeconomic components (MCs) on Nigeria's tax revenue realization, utilizing time series data spanning 1998–2023. Descriptive and inferential statistics are employed in this investigation. The study found that there is positive effect that exists between the independent variable GEF and dependent variable RTR. This implies that, if Government is effective, then realization of tax revenue will increase drastically by 1.72. The negative effect of VAICs on RTR, implies that with the introduction of VAICs, there will be reduction in non-realization of tax revenue by 0.08. This is an indication that additional value added from industries and governance as well as macroeconomic factors has a substantial effect on realization of tax revenue in Nigeria. The study therefore concluded that government effectiveness and inflation have a significant and positive effect on realization of tax revenue for federally collected revenue in Nigeria. The study therefore recommended that relationship between value added industries contributions, IGCs, and MCs, on realization of tax revenue in Nigeria will help to better realize their impact and improve policy formulation

## INTRODUCTION

Value Added Industries Contributions (VAICs) is the total output measured as the industrial sector contributions to the Gross Domestic Product (GDP) over the period. The growth and development of the industrial sector has been the key policy thrust of the Nigerian government since after independence. Industrialization are needed for economic development with the increasing levels of unemployment, rising inflation, deficits in infrastructure and difficult economic environment, is one that has been given considerable attention.

In this context, the objective of this study pertains to the need is to examine the relationship that exists between VAICs, IGCs, MCs on realization of tax revenue in Nigeria. Six (6) of the indicators of Institutional Governance Components (IGCs) such as Voice and Accountability (VAA); Political Stability and Absence of no Violence (PSAV); Government effectiveness (GEF); Regulatory quality (RGQ); Rule of law (ROL); and Corruption (COR) were used as variables for the institutional governance components to be explained the relationship to realization of tax revenue in Nigeria (Kaufmann, Kraay, & Mastruzzi, (2023).

Government biases on the control of freedom of press and freedom of association, this result to the decline of realization of tax revenue in Nigeria. This advocates that accountability shows a beneficial position as a monitoring means for growth. According to Lien (2015) explains the relationship that exists between voice and accountability in the welfare of the people and government.

The relationship between PSAV and realization of tax revenue in Nigeria is centered on government stability, considering the insecurity and political violence (Kaufmann et al., (2023). This might impede the government to realize the tax revenue that would be appropriate with government expenditure. If there is no stability, it would influence negatively in the realization of tax revenue. The relationship between GEF and realization of revenue in Nigeria, is the policy design and the reliability of the government assurance of each policies to enhance the realization of tax revenue. The relationship between RGQ and realization of tax revenue in Nigeria, revealed component of institutional composition to influence the economy. According to Hossain, (2014) posited that governments do have common spending purposes and policies, which requires diverse tax goals. As a result, realization of tax revenue could be dependent on government productivity.

Non-existence of ROL has existed as a burden, looking strongly at the collaborations in law-making and mediation. If there is no tax law to prevent tax evasion, invariably it would be negatively influenced the realization of tax revenue. Olken and Pande, (2012) posited that the notion of corruption, result from the practice of the fallouts of actions, shown by public and private sector institutions for the significance of the society as a whole, and in the wellbeing of individuals.

One of the macroeconomic component that considered in the Nigerian economy is GDP indicator. Real Gross Domestic Product (RGDP) is the prevailing measure of the value added created through the production of goods and services in a country during a certain period. When GDP is differed to

account for inflation, the RGDP arises. McLaughlin (2023) asserts that governments employed both nominal and real GDP as metrics for analyzing economic development and purchasing power in one period.

Furthermore, McLaughlin (2023) posited that tax revenue has a positive and weak effect on Real GDP. The paucity of the impact of tax revenue on RGDP in Nigeria could be partly explained by the observation made by (Aliyu and Mustapha, 2020). The problems and breakdown of tax administration demoralize compliance. According to Bousselhami and Hamzaoui (2018) who posited that the tax potential of a country is the intensity for taxes centred on laws, the level of national revenues, and the distribution of income.

To address an evident gap in the literature, this study explores by examining the relationship that exist between Value Added Industry's contributions (VAICs), IGCs, MCs and realization of tax revenue in Nigeria. This study, therefore, tries to bridge the gap in the existing knowledge. The remainder of this paper is structured as follows: the second part reviews the conceptual and theoretical while the third part is on methodology adopted, the fourth indicates the conclusion in the study and finally, the study recommendations.

## LITERATURE REVIEW

### *Conceptual Review*

#### *Voice and Accountability (VAA)*

Effectiveness involved in determining their governance is for the government to dissociate themselves on the control of freedom of press and freedom of association, this result to the decline of realization of tax revenue in Nigeria. This encourages that accountability acts a positive position as a checking means for development. According to Lien (2015) clarifies voice and accountability in the welfare of the people and government. Trusting in government through citizen's involvement make public to positively in voluntary compliance to tax laws, thus enhances the realization of tax revenue in Nigeria.

#### *Political Stability and Absence of no Violence (PSAV)*

Without political stability good governance is unbearable. In Nigeria, political instability is an unyielding terrorization to good governance and development. According to Amin, Nadeem, Parveen, Kamaran, and Anwari. (2014). identified political instability as the major cause for lower realization of tax revenue in developing countries. This entails that tax revenue realization is predictable to be challenging in a country that is considered by political instability (Kaufmann, et.al (2023).

#### *Government Effectiveness (GEF)*

This is the policy design and the reliability of the government assurance of each policies to enhance the realization of tax revenue. According to Egwaikhide and Udoh, (2012) posited that, these governance variable may be responsible for realistic justification for low realization of tax revenue in Nigeria. Regulatory Quality (RGQ)

Quality of regulations is anticipated to point toward an effective tax structure that enhances the enthusiasm of taxpayers to pay their taxes. Ocheni (2015) postulates that tax policies seem to be the key position of every tax system

and the effectiveness of any tax system be governed on policy advantages. Notably, Akpu and Ohaka, (2017) posited that since tax payment is seen as an interactively, encouraged act hinge on governments' decisions concerning essential service delivery.

*Rule of Law (ROL)*

The rule of law concept explained the validity for both the rulers, and the ruled arisen in intervening not only in the financial field, but as well in the social and economic fields. Arbex and Mattos, (2020) postulated that for tax revenues to be realized, a number of economic, political, demographic, and institutional factors affecting the tax capacities of countries, needs to be considered.

*Corruption (COR)*

The fallouts of actions, shown by public and private sector institutions for the significance of the society as a whole, and in the wellbeing resulted to corruption (Olken and Pande, 2012). The effect of corruption on collection of taxes affects realization of tax revenue.

*Real Gross Domestic Product (RGDP)*

One of the macroeconomic component that considered in the Nigerian economy is GDP indicator. It specifies intuitions into the market value of all the goods and services produced within the precincts of the country. Real Gross Domestic Product (RGDP) is the prevailing measure of the value added created through the production of goods and services in a country during a certain period. When GDP is differed to account for inflation, the RGDP arises. According to McLaughlin (2023) posited that tax revenue has a positive and weak effect on Real GDP. The paucity of the impact of tax revenue on RGDP in Nigeria could be partly explained by the observation made by (Aliyu and Mustapha, 2020).

*Inflation (INF)*

The objectives of government is to regulate inflation and guarantee price stability in the economy. According to Adaramola (2020) postulated that management of the economy by government through manipulation of its income and spending power, is to objectify certain macroeconomic objectives, these could be done by price stability and economic growth. The relationship between inflation and realization of tax revenue reduces the real value historically in one of the following ways: excise taxes, fees, fines, where the payable amount is calculated relatively to the quantity of transactions adequately than their value. According to Beer, Griffiths, & Klemm, (2023) postulated that inflation erodes real tax revenues, this effect is subjective by numerous issues, such as the fundamental causes of inflation, the responsiveness of the tax system, and the time lag between taxable event and collection.

*Value-Added Industry Contributions (VAICs)*

The concept of VAICs is given as the total output measured as the industrial sector contributions to the Gross Domestic Product (GDP) over the period. Similarly, Etim, Mbobo, Ihenyen, & Ekanem, (2020) regarded the industrial sector as the wealth-producing sector of an economy. It make available material boost for national infrastructure. Furthermore, the industrial sector is concerned in the production of two types of goods; consumer goods and capital goods.

### *Realization of Tax Revenue (RTR)*

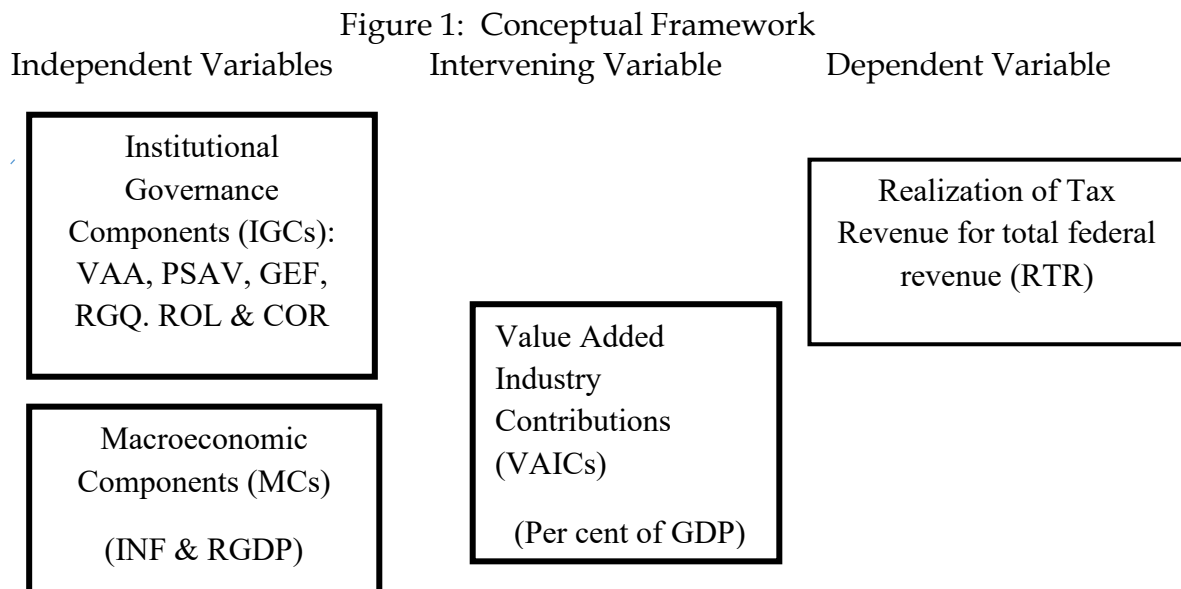
This is derived from both direct and indirect taxes on the incomes and wealth accumulation of individual and corporate entities, as well as the goods and services. It is common that administration of tax is based on the achievement of other aspects, such as efficiency, cost saving, and service quality. Therefore, the performance of administration of tax is not solely measured by the attainment of revenue. FIRS (2021) posited that Tax Pro Max was introduced as part of the agency's effort at enhancing administration of tax in Nigeria and improving the ease of doing business in the country. As a result, there has been an increase in tax revenue for the government.

### *Theoretical Review and Hypothesis Development*

The significance of VAICs, IGCs, MCs, suggesting that they should be an important point in tax policy formulation and economic strategy. Nonetheless, the combination of industrial performance, governance, and macroeconomic factors in shaping the realization of tax revenue in Nigeria highlight the fundamental role. Therefore, the enactment of institutional theory transformation policies can have a positive effect on long term economic growth. Institutions that uphold governance can combat corruption in the area of rule of law, through anti-corruption measures should be put in place to reduce negative effects. The null hypothesis is stated as:

*Ho: Value Added Industry's Contribution has no significant relationship that exists between IGCs, MCs and realization of tax revenue in Nigeria.*

The conceptual framework presented for this study in the schematic diagram below is developed based on previous studies from the empirical review mixed results both negative and positive interrelationships were established between the variables.



Source: Researcher's Conceptual Model (2026)

## **METHODOLOGY**

### ***Research Design***

Ex-post facto research design was adopted for this study with annual time series data spanning from year 1998 to year 2023 (25years) to examine the relationship that exists between value added industry contributions, institutional governance and macroeconomics components on realization of tax revenue in Nigeria. The justification for employing an ex-post facto design is to determine the cause and effect of relationship between the dependent and the independent variable.

### ***Sampling Techniques and Sample Size***

The sample size for the study consists of 25 years data that was collected on each tax for federally collected revenue. 25years (1998 -2023) was purposively selected for the study to capture all taxes for Federal Government. The federal government account for revenue through a centralized, technology driven system like Nigeria's Treasury Single Account (TSA). Using digital channels (Banks, CBN gateway) for real-time tracking, reconciliation and transparent reporting.

### ***Methods of Data Collection***

This study employed secondary sources of data to achieve the present objective of the study. The data was obtained from the World Governance Indicators (WGI), Federal Ministry of Finance (FMF), Nigerian Revenue Services (NRS) and Central Bank of Nigeria (CBN) to generate data needed to analyze the relationship that exists between institutional governance and macroeconomics components on realization of tax revenue in Nigeria.

### ***Method of Data Analysis***

Both descriptive and inferential statistics was employed for the study. Descriptive statistics was used to describe the intrinsic statistical behaviour of the data. These include the following mean, median, minimum, maximum, standard deviation, skewness, kurtosis, and Jacque bera. Data was subjected to various pre-diagnostic tests. Augmented Dickey-Fuller was used to detect the existence of unit roots. Therefore, the objective of the study, the researcher used the vector autoregressive estimates model. The model was tested for normality, Bresch-Godfery serial correlation Lagrangian Multiplier (LM) test, and heteroscedasticity test: Bresch-pagan- Godfery at 5%, levels of significance for suitability. As a final point, signs and the magnitude of the parameters were evaluated.

### ***Model Specifications***

The model specifications encompass the expression of the relationship between the independent and dependent variables that were incorporated into the study. The dependent variable is the Realization of Tax Revenue (RTR) for federal revenue, while independent variables have the following; VAA, PSAV, GEF, RGQ, ROL, and COR for institutional governance components, while INF and RGDP stands for macroeconomic components. The percentage of GDP stands as proxy for VAICs contribution as intervening variables.

### Model

The specific objective of the study was to examine the relationship that exists between the value-added industry's contribution, IGCs, MCs, and Realization of tax revenue in Nigeria. To achieve this objective the following models are specified in their dynamic forms:

$$RTR_t = f(VAA, PSAV, GEF, RGQ, ROL, COR, RGDP, INF, VAI) \dots\dots\dots 1.1$$

$$RTR_t = \beta_0 + \beta_1 VAA_t + \beta_2 PSAV_t + \beta_3 GEF_t + \beta_4 RGQ_t + \beta_5 ROL_t + \beta_6 COR_t + \beta_7 RGDP_t + \beta_8 INF_t + \beta_9 VAI_t + \mu_t \dots\dots\dots 1.2.$$

Where:

RTR = Realization of Tax Revenue) (for Federal Government)

VAA= Voice and Accountability

PSAV =Political Stability and Absence of no Violence

GEF =Government Effectiveness

RGQ = Regulatory Quality

ROL =Rule of Law

COR =Corruption

RGDP = Real Gross Domestic Product

INF =Inflation

VAICs =Value Added Industry contributions

$\beta$  = Intercept

$\beta_1 - \beta_9$  = are Beta coefficients of the regression equation

$\mu$  -error term

Table 1: Showing Apriori Expectation

| Hypothesis       | Model                                                                                                                                                                   | Apriori Expectation                                                             |
|------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| H <sub>0</sub> : | $Y_t = \beta_0 + \beta_1 X_{1t} + \beta_2 X_{2t} + \beta_3 X_{3t} + \beta_4 X_{4t} + \beta_5 X_{5t} + \beta_6 X_{6t} + \beta_7 X_{7t} + \beta_8 X_{8t} * VAI_t + \mu_t$ | Reject if $\beta_1 - \beta_8 \geq \leq 0.05$ ;<br><br>Otherwise, do not reject. |

Source: Researcher's Study (2026)

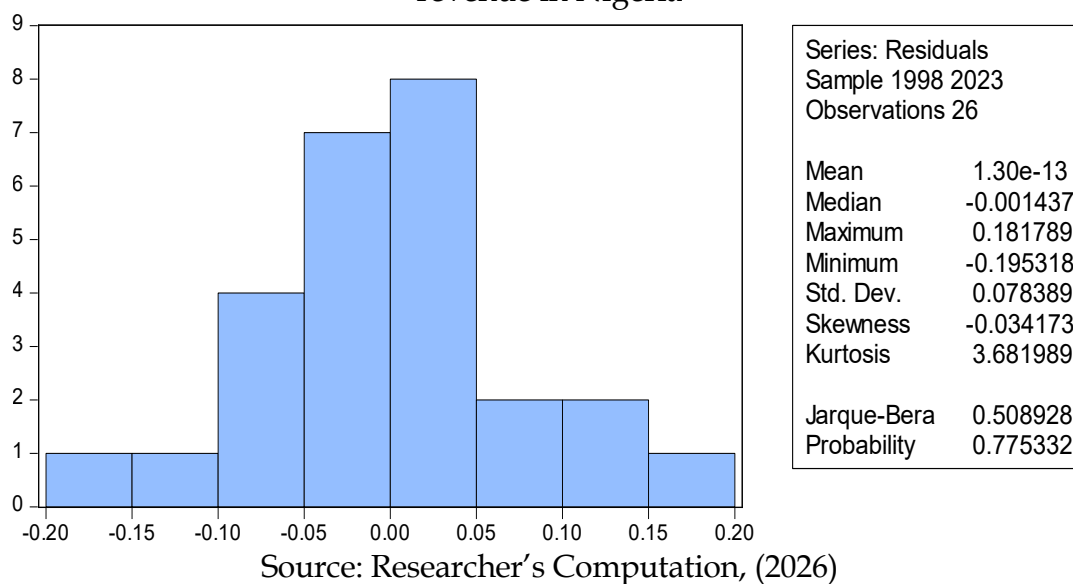
## RESULT AND DISCUSSION

### *Descriptive Statistics*

As shown in Figure 2 below, the mean of the residuals is nearly zero ( $1.30\text{e-}13$ ), indicating no systematic bias in the residuals. The median ( $-0.001437$ ) is very close to the mean, further supporting the symmetry of the residuals. The skewness ( $-0.034173$ ) indicates the residuals are almost perfectly symmetrical, with only a negligible skew. The kurtosis ( $3.681989$ ) is slightly above 3, suggesting the distribution has slightly heavier tails than the normal distribution but remains close to normality. The Jarque-Bera statistic ( $0.508928$ ) and its associated probability ( $0.775332$ ) confirm that the residuals follow a normal distribution. The high p-value ( $> 0.05$ ) indicates no significant departure from normality.

The results confirm that the residuals are normally distributed, with no evidence of significant skewness or kurtosis issues. This validates a key assumption of the regression model and enhances confidence in the reliability and accuracy of the estimated relationships. The model is robust and well-suited for drawing meaningful inferences about the link between the value-added industry's contributions, institutional governance components, macroeconomic factors, and tax revenue realization in Nigeria.

Figure 2: Test of Normality for the relationship that exists between the Value-Added Industry's contributions (VAICs), IGCs, MCs and realization of tax revenue in Nigeria



### ***Analysis of the Regression Results***

The study empirically assessed the relationship that exists between Value Added Industry's Contributions (VAICs), IGCs, MCs and Realization of Tax Revenue. The model for this objective is stated as:

$$RTR_t = \beta_0 + \beta_1 VAA_t + \beta_2 PSAV_t + \beta_3 GEF_t + \beta_4 RGQ_t + \beta_5 ROL_t + \beta_6 COR_t + \beta_7 RGDP_t + \beta_8 INF_t + \beta_9^* VAI_t + \mu_t \dots \dots \dots eqn 1.4$$

As shown in Table 2, this analysis investigates the interaction between the VAICs, IGCs, MCs and their influence on the RTR in Nigeria. The model demonstrates exceptionally high explanatory power, as make clear by an R-squared value of 99.1%, indicating that the independent variables collectively explain nearly all the variations in realization of tax revenue. The adjusted R-squared value of 94% further underscores the robustness of the model, even after accounting for the complexity introduced by the number of variables. The F-statistic = 27.90232 is highly significant ( $p = 0.000796$ ), confirming the joint significance of the variables in explaining the realization of tax revenue.

### ***Test of Hypothesis***

Hypothesis was formulated to assess the relationship that exists between Value Added Industry's Contributions (VAICs), IGCs, MCs and RTR.

*Ho: Value Added Industry's Contribution has no significant relationship that exists between IGCs, MCs and realization of tax revenue in Nigeria.*

There is a positive relationship that exists between GEF, RGQ and INF at 10% of significance level. While VAICs has a negative relationship with RTR at 10% level of significance. The result revealed in Table 2 shows that all the individual variables were insignificant on RTR. Hence, the null hypothesis is accepted.

### ***EFFECTS***

#### ***GEF and RTR***

The positive effect that exists between the independent variable GEF and dependent variable RTR. This implies that, if Government is effective, then realization of tax revenue will increase drastically by 1.72.

#### ***RGQ and RTR***

The negative effect that exists between independent variable RGQ and dependent variable RTR as shown in table 2 implies that there will be reduction in non-realization of tax revenue by 0.42. This is an indication that additional value added from industries and governance as well as macroeconomic factors has a substantial effect on realization of tax revenue in Nigeria

#### ***INF and RTR***

The positive effect that exists between the independent variable INF and dependent variable RTR. This implies that, if Government control inflation effectively, then realization of tax revenue will increase by 0.08.

#### ***VAICs and RTR***

The negative effect of VAICs on RTR as shown in table 2 implies that with the introduction of VAICs, there will be reduction in non-realization of tax revenue approximately by 0.08. This is an indication that additional value added from

industries and governance as well as macroeconomic factors has a substantial effect on realization of tax revenue in Nigeria.

Table 2: Relationship that exists between Value-Added Industry's contributions (VAICs), IGCs, MCs and Realization of Tax Revenue (RTR) in Nigeria.

| Variable           | Coefficient | Std. Error            | t-Statistic | Prob.     |
|--------------------|-------------|-----------------------|-------------|-----------|
| RTR (-1)           | 1.443893    | 0.389463              | 3.707390    | 0.0139**  |
| RTR (-2)           | 1.178579    | 0.836284              | 1.409305    | 0.2178    |
| VAA (-1)           | -0.626515   | 0.602794              | -1.039351   | 0.3463    |
| VAA (-2)           | -0.504732   | 0.535924              | -0.941798   | 0.3895    |
| PSAV (-1)          | -0.614141   | 0.694537              | -0.884246   | 0.4171    |
| PSAV (-2)          | 0.643633    | 0.685763              | 0.938564    | 0.3910    |
| GEF (-1)           | 1.454659    | 0.658789              | 2.208080    | 0.0783*** |
| GEF (-2)           | 1.719029    | 0.804389              | 2.137061    | 0.0856*** |
| RGQ (-1)           | -0.421756   | 0.169985              | -2.481137   | 0.0558*** |
| RGQ (-2)           | -0.551971   | 0.366106              | -1.507680   | 0.1920    |
| ROL (-1)           | 0.542638    | 0.678362              | 0.799925    | 0.4601    |
| ROL (-2)           | -0.537725   | 0.543722              | -0.988971   | 0.3681    |
| COR (-1)           | 0.002653    | 0.003396              | 0.781452    | 0.4699    |
| COR (-2)           | -0.004695   | 0.002926              | -1.604171   | 0.1696    |
| RGDP (-1)          | 0.879707    | 0.687118              | 1.280286    | 0.2566    |
| RGDP (-2)          | -3.264172   | 1.874746              | -1.741128   | 0.1421    |
| INF (-1)           | 0.080465    | 0.036698              | 2.192622    | 0.0798*** |
| INF (-2)           | 0.052489    | 0.015031              | 3.492034    | 0.0174**  |
| VAICs (-1)         | -0.077776   | 0.039201              | -1.984009   | 0.1040    |
| VAICs (-2)         | -0.040178   | 0.043234              | -0.929330   | 0.3954    |
| C (21)             | 15.16815    | 10.42111              | 1.455522    | 0.2053    |
| R-squared          | 0.991120    | Mean dep. var         | 8.570030    | 0.1040    |
| Adjusted R-squared | 0.935599    | S.D. dep. var         | 0.831846    | -0.3954   |
| S.E. of regression | 0.175283    | Akaike info criterion |             | 0.678100  |
| Sum squared resid  | 0.153621    | Schwarz criterion     |             | 0.338055  |
| Log likelihood     | 29.81530    | Hannan-Quinn criter.  |             | 0.385484  |
| F-statistic        | 27.90232    | Durbin-Watson stat    |             | 2.607047  |
| Prob(F-statistic)  | 0.000796    |                       |             |           |
| F-statistic        | 27.90232    |                       |             |           |
| Prob(F-statistic)  | 0.000796    |                       |             |           |

Source: Researcher's Computation, (2026)

*Researcher further carried out diagnostic test as shown in table 2.1 below*

Table 2.1: Breusch-Godfrey Serial Correlation LM Test for the relationship that exists between the VAICs, IGCs, MCs and realization of tax revenue in Nigeria.

|               |          |                      |        |
|---------------|----------|----------------------|--------|
| F-statistic   | 2.462634 | Prob. F (1,4)        | 0.2329 |
| Obs*R-squared | 16.15806 | Prob. Chi-Square (1) | 0.1003 |

Source: Researcher's Computation, (2026)

In this analysis, the result showed there is insufficient evidence to reject the null hypothesis of no serial correlation in the residuals. This implies that the residuals from the regression model are free from significant serial correlation. Consequently, the model's results are robust, and the assumptions underlying the regression analysis are satisfied in this regard. The absence of serial correlation strengthens confidence in the consistency of the estimated relationships between the value-added industry's contributions, institutional governance components, macroeconomic factors, and tax revenue realization in Nigeria.

*Researcher further carried out diagnostic test as shown in table 2.2 below*

Table 2.2: Breusch-Pagan-Godfrey Heteroskedasticity Test for the relationship that exists between the VAICs, IGCs, MCs and realization of tax revenue in Nigeria.

|                     |          |                       |        |
|---------------------|----------|-----------------------|--------|
| F-statistic         | 1.841298 | Prob. F (20,5)        | 0.2585 |
| Obs*R-squared       | 22.89188 | Prob. Chi-Square (20) | 0.2941 |
| Scaled explained SS | 1.135277 | Prob. Chi-Square (20) | 1.0000 |

Source: Researcher's Computation, (2026)

Theoretically, the variance of the residuals is coherent across the observations in the dataset. The hypothesis of homoscedasticity is met, validating that the regression estimates are efficient and unbiased. This reinforces the reliability of the model's inferences regarding the correlation involving the value-added industry's contributions, institutional governance components, macroeconomic factors, and the realization of tax revenue in Nigeria. The findings affirm the robustness of the model, free from distortions caused by non-constant error variance.

### ***Discussion of Findings***

The findings have reveals that it has a significant effect on realization of tax revenue. Many of them are not statistically significant, as pointed out by their high p-value greater than 0.05. Coefficients with t-statistics above 3.707390;  $p=0.0139$  in absolute value typically indicate statistical significance. Despite this, the statistical insignificance of many coefficients suggests that only specific lagged variables of VAI contributions, IGCs MCs have a notable effect on the realization of tax revenue. The overall significance of the model highlights the collective importance of VAICs, IGCs, MCs, suggesting that they should be an important point in tax policy formulation and economic strategy. The F-statistic of 27.90232 with a

corresponding p-value of  $0.0008 < 0.05$ ; this suggests that the combined influence of industry performance, governance, and macroeconomic factors substantially impacts the realization of tax revenue in Nigeria.

Nonetheless, the findings highlight the fundamental role of a combination of industrial performance, governance, and macroeconomic factors in shaping the realization of tax revenue in Nigeria. These results underscore the significance of coordinated policy measures targeting these domains to enhance fiscal performance effectively. However, the empirical results of (Yaru and Raji, 2022; Saptono and Mahmud, 2022) revealed that the institutional variables are more significant in taxes. It is reinforced by institutional theory because fiscal corruption and political institutions in tax administration reduces corruption as required by law. Such findings call for a refined analytical approach to identify and emphasis on the most impactful variables.

## **CONCLUSION AND RECOMMENDATION**

In conclusion, the analysis shows a significant positive relationship between GEF (-1) and t-statistics = 2.786686;  $p = 0.0270$  indicating that increases in GEF (-1) are connected with increases in RTR, as well as INF (-2) with t-statistics = 2.489569;  $p = 0.04$  signaling the relationship with economic activity. Furthermore, Government Effectiveness and Inflation have a significant and positive effect on Realization of Tax Revenue for federally collected revenue in Nigeria. Emphasizing the effectiveness of GEF and Government effective control on inflation as a means for heightening revenue realization. This finding emphasizes the significance of GEF and proposes that the positive relationship between GEF and RTR additionally point towards the hypothetical of GEF, supporting with numerous theories such as Institutional theory, Agency theory, Social Interactions theory and Modernization theory.

Based on the findings and conclusion of this study, policy makers are provided the following recommendations are as follows:

- (i) The study suggest that, the effects of Value-Added Industry's contributions, IGCs, and MCs, on realization of tax revenue in Nigeria will help to better realize their impact and improve policy formulation.
- (ii) The study suggest that policymakers should broaden tax base to attract more positive contributions on the realization of tax revenue to enhance macroeconomic stability.

## **FURTHER STUDY**

Future research should explore into the changing aspects of value-added industry's contributions, institutional governance and macroeconomic components with their long-term effect on realization of tax revenue for federally collected revenue (FCR). This would bestow a more thorough understanding of value-added industry contributions, institutional governance and macroeconomic components contributions to contribute more to largely on economic development. Furthermore, recommending the interactions between VAICs, IGCs and MCs could offer valuable insight into the socio-economic implications.

## REFERENCES

- Adaramola, A. O., and Dada, O. (2020). Impact of inflation on economic growth:Evidence from Nigeria. *Investment Management and Financial Innovations*, 17(2), 1-13.
- Akpu, U. G., and Ohaka, J. (2017). Tax compliance strategy and tax revenue Yield; Empirical Evidence. *Pyrex Journal of Taxation and Accounting Management*, 1(2), 9-23.
- Aliyu, A. B. and Mustapha, A. A. (2020). Impact of tax revenue on economic growth in Nigeria (1981-2017), *Bullion*: 44(4), Article 5. Available at: [dc.cbn.gov.ng/bullion](http://dc.cbn.gov.ng/bullion) 44(4), 5
- Amin, A., Nadeem, A. M., Parveen, S., Kamaran, M. A., and Anwari. S. (2014). Factors affecting tax collection in Pakistan: An empirical investigation. *Journal of Finance and Economics*, 2(5), 149-155.
- Arbex, M. and Mattos, E., (2020). Limited tax capacity and the optimal taxation of firms. (Working Paper, No. 539). University of Windsor Department of Economics Working Paper.
- Beer, S., Griffiths, M., and Klemm, A. (2023). Tax distortions from inflation: What are they: How to deal with them. *Public Sector Economics*, 47(3), 353-386.
- Bousselhami, N., and Hamazaoui, M. (2018). Morrocan tax potential: Econometric analysis thought tax effort. *Turkish Economic Reviews*, 5, 22-32.
- Egwaikhide, F. O., and Udoh, E. A. P. (2012). The roles of service delivery and good governance in institutionalization of taxation in Nigeria: an analytical perspective. *Global Journal of Management and Business Research*, 12(5), 34-44.
- Etim, O. E, Mbobo, M. E., Ihenyen, C. J, and Ekanem, D. J. (2020). Taxation and manufacturing sector output in Nigeria. *International Journal of Research and Innovation in Social Science (IJRISS)*, 10(12), 240-249.
- Hossain, M. I. (2014). The quality of governance and tax effort: Evidence from developed and developing countries [Unpublished research report]. Institute of Social Science and Graduate School of Public Policy. The University of Tokyo.
- Kaufmann, D., Kraay, A., and Mastruzzi, M. (2023). The worldwide governance indicators: Methodology and analytical issues<sup>1</sup>. *Hague Journal on the Rule of Law*, 3(2), 220-246.
- Lien, N. P. (2015). The Impact of Institutional Quality on Tax Revenue in Developing Countries. *Asian Journal of Empirical Research*, 5(10), 181-195.

- McLaughlin, P. (2023). What Is Real Gross Domestic Product (GDP)? Available at <https://investopedia.com/terms/r/realgdp.asp>. Accessed on 12/6/2023
- Ocheni, S. (2015). A causality Analysis between Tax Compliance Behaviour and Nigerian Economic Growth. *Mediterranean Journal of Social Sciences MCSER*, 6 (1), 577-582
- Odunsi, K. O. (2017). Foreign Direct Investment Determinants and Tax Revenue Performance in Nigeria. Unpublished PhD Thesis, Babcock University, Ogun State.
- Olken, B. A., and Pande, R. (2012). Corruption in developing countries. *Annual Review of Economics*, 4(1), 479-509.
- Saptono, P. B., and Mahmud, G. (2022). Institutional environment and tax performance: Empirical evidence from developing countries. *Public Sector Economics*, 46(2), 207-237.
- Yaru, M. A., and Raji, A. S. (2022). Corruption, governance, and tax revenue performance in sub-Saharan Africa. *African Journal of Economic Review*, 10(1), 234-253.