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# Impact of Tax Revenue on the Performance of Government in Ekiti State (2013-2022)

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**ABSTRACT**

This study examined the relationship between tax revenue and the performance of Ekiti State Government, using data from 2013 to 2022. Specifically, the study investigated the impact of Pay as you earn (PAYE), direct assessment, road and other taxes on the performance of Ekiti State Government in Nigeria. *Expo facto* research design was adopted and data were sourced from the Board of Internal Revenue of Ekiti State for 10 years, spanning 2013 to 2022. Data gathered for this study were analyzed using quantitative econometric techniques which include Pearson correlation and ARDL analysis method. Other post estimation tests like the autocorrelation test and heteroscedasticity test were also conducted. Using the most reliable and effective estimation, it was found that; direct assessment tax has a positive significant effect on the performance of Ekiti State Government with the coefficient and P-value of 0.5105 and 0.048<0.05. Road tax was found to exert a positive but insignificant effect on Ekiti state government performance to the tune of 0.3913 (p=0.241>0.05). Pay-as-you-earn tax has a positive and significant effect on government performance with the coefficient and P-value 0.8267 and 0.005. Other taxes have a positive but insignificant effect on the Ekiti state government performance captured with gross domestic products with the coefficient and probability values of 0.7348 and 0.068 respectively. Based on the analysis carried out, it was established that there was a statistical relationship between tax revenue and the performance of Ekiti state government in Nigeria. Hence, it was recommended that Ekiti State government should strictly enforce regulations on direct assessment tax to bring more taxable people into the tax net. This might enable the positive effect of direct assessment tax on capital expenditure to be significant.

**Keywords:** Gross Domestic Products, Direct assessment Tax, Road Tax, Other Taxes

## Introduction

In most nations around the world, the government serves as the largest employer of labour. They are also responsible for the overall security and welfare of their citizens. A government is usually seen as successful when her citizens have a high standard of living, have the basic amenities and social infrastructures provided for them, have a secured and peaceful environment for carrying out business activities and for residing (Okeke, Mbonu & Amahalu, 2023). This is because government is put in place to ensure that the citizens enjoy some basic rights accruing to them. Hence, the performance of government is constantly evaluated by different stakeholders.

The performance of government can be seen as a comparison between the available revenue accessible by the government and the public expenditure they were able to execute (Tyoakosu & Awuhe, 2021). It is the achievement of a state over a given period of time. In a state like Ekiti State, where the public revenue is fairly higher than in other States, the performance of the government is expected to be more than average. The performance of government is a phenomenon that is constantly appraised by different stakeholders and citizens. Scholarships given to students, prompt payment of salaries, public debt and revenue and gross domestic product generated are some of the means with which the performance of government is measured

According to Adedeji and Akindele (2023), the performance of government is ultimately tied to the availability of revenue which the government has access to. This study examined the revenue of a government from the perspective of tax revenue. Hence, government revenue can be segregated into two; tax revenue and non-tax revenue. Tax revenue can be seen as the total revenue of a government which can be attributed to the levying of taxes by the government on citizens under her jurisdiction. In a state like Ekiti State, and by extension, Nigeria, tax revenue is very fundamental to the overall performance of the government.

Michael (2022) noted that in nations all over the globe, the private sector has dwindled the influence and portion of the public sector in the economy. In Ekiti State, the private sector appears to be fairly strong due to the crude oil and natural gas which has attracted investors over time. These investors bring in wealth and capital to the State. More so, the State Government also tax these investors which ultimately increases their tax revenue. Hence, tax revenue has become a viable source of government revenue in Ekiti State. In the same vein, the performance of the government has been significant over time in relation to social infrastructures.

In Nigeria, tax rates are fixed, and follow a progressive pattern; in that, the higher one's income, the higher his tax liability. In lieu of this, this study segregates tax revenue into pay-as-you-earn (PAYE), direct assessment, road tax and other tax. PAYE is a form of tax revenue where specific tax rates are levied on the income of taxpayers (Uzamere & Ebhodaghe, 2021). It is also seen as a form of personal income tax at the State level. Due to the strength of the private sector in Ekiti State, pay-as-you-earn (PAYE) forms a significant portion of the overall tax revenue accruing from personal income tax (Adedeji & Akindele, 2023).

Direct assessment is another form of personal income tax revenue. Direct assessment is usually carried out where there is no sustainable income of an individual. It is more notable among small and medium scale enterprises than among large corporations. Direct assessment can be viewed as the tax revenue gotten from persons who are self-employed (Tyoakosu & Awuhe, 2021). In Ekiti State, emphasis is more on PAYE and other direct taxes than on direct assessment, although, those SMEs in the state's capital might be subjected to fiercer direct assessment than other SMEs in other parts of the State.

Road tax is a tax revenue which is paid by the owner of a vehicle periodically for using the road (Nguyen & Darsono, 2022). This tax revenue could be paid weekly, monthly or yearly depending in the tax authority. In Nigeria, road tax is more evidenced in the creation of tolling gates. Other tax revenue which were considered in this study include VAT and petroleum profit tax revenue. VAT is a form of tax revenue for the government that is levied on each point of production, distribution and sale of goods to the consumer, while petroleum profit tax revenue is chargeable on the income of companies into the exportation of crude oil.

Tax revenue can be used to improve the performance of the government. It is not incorrect to say that a state which has insufficient tax revenue would not be able to perform as expected. Thus, government should ensure that they are able to create functional and competent tax administration system in order to have a sustainable tax revenue (Ironkwe & Ndah, 2020). The quantity or volume of tax revenue which the government would receive is ultimately tied to the competency of the labour force in their employment. However, it seems that there is insufficient manpower in the State Inland Revenue Service for the state due to the range of tax activities in the State.

Tax revenue if properly harnessed by the government, is bound to increase the performance of the government (Ojong, Anthony & Arikpo, 2020). In a real sense, there is no government official who do not wish to leave a mark in terms of solid performance. However, if there is inadequate revenue, there could be low performance by the government. In Ekiti State, it is not uncommon to read of cases of embezzlement and corruption by government officials. Implicitly, the abundant resources of the state has created an avenue for some people to exploit the treasures meant for the citizens. It is against this background that the researcher sought to properly understand the impact of tax revenue on the performance of government in Ekiti State.

### *Statement of the Problem*

Governments' performance is constantly being reviewed by numerous entities. For a State like Ekiti State which benefits from the exploration of crude oil, it is expected that there would be a heightened performance by the government due to the extra revenue being derived from oil. Unfortunately, the performance of the State Government has not matched the expectations of the citizens. It appears that the State Government has left its responsibility of creating jobs for its citizens to the private sector in the state (Ironkwe & Ndah, 2020). This is why the private sector in the State seems fairly strong in terms of labour employment than the public sector.

The seemingly poor performance of the State Government might not be unconnected to the level of revenue realized by the government in terms of tax revenue. For Ekiti State, their tax revenue majorly comes from the private sector due to the crude oil exportation. As noted by Ojong, Anthony and Arikpo (2020), the presence of oil in some States in Nigeria have caused their revenue to increase. Notwithstanding, the tax system is still plagued by a host of challenges. In Ekiti State, there is low statistics on tax payers, especially in the informal sector where small and medium scale enterprises exist.

Tax revenue collection is hindered with issues like multiple taxations, poor tax administration, unavailability of tax statistics, inability to prioritize and enforce tax efforts, regulatory challenges caused by change in government, structural problems in the economy, bribery and corruption and complexity of tax laws (Adefolake & Omodero, 2022; Adejare & Akande, 2023; Agu, Onwuka & Aruomah, 2023). In Ekiti State, small and medium scale enterprises are usually overtaxed, especially those of them situated in the capital city. Due to the issue of multiple taxation, some of them have registered with the Corporate Affairs Commission (CAC), but that did not provide a permanent solution to the issue.

The low revenue tax yield of the government could be linked to inadequate manpower and untrained staff (Agu, Onwuka & Aruomah, 2023). In a state like Ekiti State where the private sector is dominant, there is need for the public sector to have a lot of competent hands to ensure that taxpayers are registered and render their tax proceeds at the right time. Unfortunately, it appears that the State Board of Inland Revenue lacks competent staff. In cases where there are competent staff, the issue of bribery and corruption comes in. Some staff are easily bought with money and money equivalents which reduces the overall tax yield to the state.

Tax revenue as a predictor variable has been used by numerous researchers (Adedeji and Akindele (2023) and Adegbite and Fasina (2023) on revenue generation; Ayeni, Ibrahim and Adeyemi (2021), Asaolu, Olabisi, Akinbode and Alebiosu (2023) and Adefolake and Omodero (2022) on economic growth; Adejare and Akande (2023) on local governments revenue in Oyo State; Agu, Onwuka and Aruomah (2023) on the performance of small and medium enterprises. In connection to the studies at the disposal of the researcher, the impact of tax revenue on the performance of government has not been properly explored, which forms part of the basis for this study.

Pay-as you-earn (PAYE) has been examined by different scholars as an independent variable. However, findings have been mixed. The studies of Ogbonna and Appah (2020), Tyoakosu and Awuhe (2021), Adedeji and Akindele (2023), Osho, Ogunyankin and Fadakinte (2020) and Omodero (2022) revealed that PAYE has a significant impact on the respective dependent variable. On the other hand, the study of Adinoge, David, Aderibigbe and Njoku

(2022) revealed that PAYE had no significant influence on the respective dependent variable. These discrepancies have led to the motivation for further investigations.

Direct assessment is another variable that has been examined by scholars in light of various dependent variables. Similarly, to PAYE, the findings from the studies at the disposal of the researcher has been mixed. Tyoakosu and Awuhe (2021) affirmed that direct assessment had an insignificant impact on the dependent variable, while the studies of Agu, Onwuka and Aruomah (2023) and Adedeji and Akindele (2023) affirmed that direct assessment (DA) had a significant impact on the respective dependent variable. The study of Adinoge, David, Aderibigbe and Njoku (2022) revealed that direct assessment had no significant influence on the respective dependent variable.

The studies at the disposal of the researcher used different time frames and different locations. Tyoakosu and Awuhe (2021) used data from 2007–2020 in Benue State; Adedeji and Akindele (2023) used data from 2006-2020 in Ondo State; Adinoge, David, Aderibigbe and Njoku (2022) used data from 2010-2020 in Osun State; and Adejare and Akande (2023) used data from 2006-2020 in Oyo State. In real time, the findings of the aforementioned studies might no longer be relevant due to more recent happenings in the political and economic environment. More so, Ekiti State was not examined based on the aforementioned studies. These differences creates a backbone for this current study to consider Ekiti State, using data from 2013-2022.

This current study examined the impact of tax revenue on the performance of the government in Ekiti state, using data from 2013-2022. It is believed that by undertaking this study, relevance would be discovered and the frontiers of knowledge would be strengthened. To this effect, tax revenue would be explained with pay-as-you-earn, direct assessment, road tax and other taxes. On the other hand, the dependent variable, performance of government would be explained with gross domestic product of the state for the period under review.

### *Objectives of the Study*

Generally, this study aimed at disclosing the nexus between tax revenue and the performance of Ekiti State Government, using data from 2013 to 2022. The following objectives have been specifically designed to achieve the broad objectives:

i. investigate the association between Pay as you earn (PAYE) and performance of Ekiti State Government in Nigeria;

ii. examine the relationship between direct assessment and performance of Ekiti State Government in Nigeria;

iii. assess the association between road tax and performance of Ekiti State Government in Nigeria;

iv. evaluate the relationship between other taxes and performance of Ekiti State Government in Nigeria.

### *Research Questions*

In order to fulfil the particular goals of the study, the following inquiries were made:

i. What is the association between Pay as you earn (PAYE) and performance of Ekiti State Government in Nigeria?

ii. What is the connectivity between direct assessment and performance of Ekiti State Government in Nigeria?

iii. What is the nexus between road tax and performance of Ekiti State Government in Nigeria?

iv. What is the association between other taxes and performance of Ekiti State Government in Nigeria?

### *Research Hypotheses*

The following hypotheses for the study in line with thee research objectives were stated in null form as follows:

H01: PAYE has no significant relationship with the performance of Ekiti State Government in Nigeria.

H02: Direct assessment has no significant relationship with the performance of Ekiti State Government in Nigeria

H03: Road tax has no significant relationship with the performance of Ekiti State Government in Nigeria

H04: Other taxes has no significant relationship with the performance of Ekiti State Government in Nigeria

## Empirical Review

#### Pay as you earn (PAYE) and performance of Ekiti State Government

Regression analysis was used in a research by Ogbonna and Appah (2020) to assess the impact of tax administration and revenue on Nigeria's economic development. Results showed, among other things, that there was a substantial link between Nigeria's GDP and Personal Income Tax Revenue (PITR).

Tyoakosu and Awuhe (2021) carried out a study to investigate the impact of personal income tax on the internally generated revenue of Benue State, using data from 2007–2020. The methods of data analysis utilized were descriptive statistics, correlation and ordinary least square multiple regression technique. Findings gave credence to the fact that pay-as-you-earn had significant positive contribution to internally generated revenue in Benue State, while direct assessment had insignificant negative contribution to internally generated revenue in the state over the study period.

Adedeji and Akindele (2023) conducted a study to uncover the relationship between personal income tax and revenue generation in Ondo State, using data from 2006 to 2020. Data were analysed using simple percentage, mean, standard deviation, trend analysis and Spearman rank correlation analysis. It was revealed that PAYE and direct assessment (DA) positively correlated with internal revenue.

Owenvbiugie and Owenvbiugie (2020) investigated how an effective tax administration and good revenue collection mechanism would enhance government performance in terms of provision of infrastructural development in Nigeria. A conceptual approach was adopted in the study. The content analysis revealed that a good revenue collection and effective tax administration can lead to good performance of government in the provision of amenities by reducing tax fraud, non-tax compliance, wastages of public funds, and corruption in tax administration.

Osho, Ogunyankin and Fadakinte (2020) unveiled the impact of pay as you earn on social and economic development (proxy by gross domestic products) in Nigeria using data from 2009 to 2023. Ordinary Least Squares (OLS) technique was hired to analyse the data. Findings paved way for the fact that PAYE significantly and positively impacted social and economic development.

Uzamere and Ebhodaghe (2021) undertook a study to assess PAYE system of taxation in Nigeria. Simple percentage and Z-test statistical tool were employed to analyse the collated data. Among other findings, it was uncovered that non-availability of tax statistics, inability to prioritize tax effort, poor tax administration and multiplicity of tax stood as a barrier to Pay-As-You-Earn (PAYE).

Omodero (2022) performed a study which assessed the impact of direct taxes on agricultural funding using data from 2010-2020. Multiple regression technique was used to analyse the data. Findings showed, among others, that personal income tax had a significant and positive impact on agricultural finance.

***Direct assessment and performance of Ekiti State Government***

In Aba, Abia State, Agu, Onwuka, and Aruomah (2023) evaluated how taxes affected the performance of SMEs. The preferred methods of data analysis were the one sample t-test and multiple regression analysis. The results opened the door to the conclusion that tax assessment had a big impact on how well SMEs performed in Aba.

Using information from 2008 to 2023, Kelvin, John, Reuben, and Edwin (2020) looked at the impact of macroeconomic factors on Kenya's tax revenue performance. The study employed unit root tests, cointegration, and multicollinearity tests. Results showed that in Kenya, foreign direct investment and GDP per capita had a statistically significant positive link with tax revenue performance, whereas inflation and unemployment had a negative impact.

Data from 2010 to 2020 were used by Adinoge, David, Aderibigbe, and Njoku (2022) to assess the impact of domestically produced revenue on capital budget performance in the Osun State public sector. The data were analyzed using descriptive statistics and OLS-Multiple regression techniques. The results showed that the performance of the capital budget was not significantly impacted by PAYE, withholding tax, or direct assessment.

***Road tax and performance of Ekiti State Government***

Using data from 2005 to 2014, Grace, David, and Oliver (2020) examined how tax income affected Nigeria's economic progress. Ordinary least square (OLS) regression methodology was employed as the data analysis strategy. The results indicated a strong and positive correlation between tax revenue and economic growth.

In 2023, Egbunike, Emudainohwo, and Gunardi evaluated how tax income affected economic growth in Ghana and Nigeria. Multiple regressions were used in the analysis for the study. The study confirmed earlier studies by showing a beneficial impact of tax collection on the gross domestic products of Ghana and Nigeria.

Michael (2022) assessed the effect of tax collection on the generation of state income in Lagos. The Pearson Product Moment Correlation Coefficient (PPMCC), percentages, frequency distribution statistics, and regression analysis were all used in the study. The results supported the idea that electronic tax payments, tax compliance, and revenue generation were all positively correlated.

Nguyen and Darsono (2022) used data from nine Asian nations from 2000 to 2020 to support the association between tax revenue, investment, and economic development. Regressions on panels of data were employed in the research. Results showed that tax income had a detrimental impact on economic growth.

***Other taxes and performance of Ekiti State Government***

Using data from 2006 to 2013, Ironkwe and Ndah (2020) assessed the effect of locally produced revenue on the functioning of local governments in Ekiti State. It used a t-statistics analysis. Results showed that tax income had a small but favorable impact on building and maintaining roads.

The effect of tax income on the Nigerian economy was found by Ojong, Anthony, and Arikpo (2020). In the study, several regression models using ordinary least squares were used. The conclusion that there was a strong correlation between the petroleum profit tax and the expansion of the Nigerian economy was made possible by the research findings.

Using a straightforward OLS regression analysis, Alade and Oyerogba (2021) looked at the Federal Inland Service's tax income performance from 2005 to 2014. Results demonstrated that real tax income generated was favorably and considerably explained by the tax revenue budget. Capital expenditures, however, were not considerably impacted by actual tax revenue performance.

Using data from 2006 to 2020, Adejare and Akande (2023) investigated the effect of taxation on income earned in local government in Oyo State, Nigeria. In the study, the panel data analysis approach was employed. According to the findings, the kiosk rate and slaughter slab fees had a negative, insignificant impact on local government revenue; whereas, the burial permit had a positive, insignificant impact; and the market tax, marriage, birth, and death fees, motor park levies, and registration of street fees had a positive, significant impact.

The impact of tax administration on income generation in Gombe state was determined by Emmanuel (2023). The preferred statistical techniques for the study were frequencies and straightforward percentages, Spearman's Rank correlation, Pearson correlation, and linear regression. The results showed that the state's tax administration was inefficient and ineffective, and that the income collected in the state was insufficient to satisfy its goals since tax payers were not well-informed and there were instances of tax evasion and tax avoidance.

Using data from 2001 to 2023, Eze and Emmanuel (2023) investigated the effect of tax revenue on Nigeria's economic performance. The gathered data were analyzed using the OLS statistical method. The analysis established a negative link between VAT and CED and the gross domestic product.

Using data from 2000 through 2021, Adefolake and Omodero (2022) evaluated the impact of tax income on Nigeria's economic development. The study employed the enhanced Dickey Fuller technique, the Johansen co-integration test, and the Vector Error Correction Model to analyze the data. The results showed that PPT and VAT significantly and favorably impacted GDP. It also showed that CIT significantly and negatively affected GDP.

## Gaps in Literature

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## Methodology

This study adopted expo-facto research design. The data used in this study came from the Financial Report of Ekiti state. The information consists of yearly time series that cover the years 2013 through 2022. The model employed by Mohammed and Kanu (2023), who looked at how internally generated income affected overall spending, was adapted for this study. Based on the model,

TE = *f*(IGR) ……………………………………………………………….. (1)

The model was modified to suit the specific objectives of the study. The modification made are as follows:

i. Total expenditure was replaced with gross domestic product (GDP) as a measure of the performance of state government.

ii. The internally generated revenue was captured with pay as you earn (PAYE), Direct Assessment Tax (DAT), Road Tax (RDT) and other taxes (OTH).

The modified model was supplied as follows as the new model:

GDP = *f*(DAT RDT OTH)……………………………………………………………….. (2)

Where:

GDP = Gross Domestic Products

DAT = Direct assessment Tax

RDT = Road Tax

OTH = Other Taxes

The equation of the model was given thus:

GDP = $\alpha_0$ + $\alpha_1$DAT + $\alpha_2$RDT + $\alpha_3$OTH + $U_t$………..…………………….. (3)

$\alpha_0$……….$\alpha_3$ are parameter estimates

$U_t$ is Stochastic Error Term

***A-priori Expectation***

Mathematically, it is provided below:

$\frac{\partial GDP}{\partial DAT} > 0$: $\frac{\partial GDP}{\partial RDT} > 0$: $\frac{\partial GDP}{\partial OTH} > 0$: this means that direct assessment tax, road tax and other taxes will have a positive relationship with gross domestic products in Ekiti State.

## Method of Data Analysis

This study used the ARDL limits testing technique with respect to the ECM model in an effort to analyze the long-run dynamic connection between the model's variables. The next step was to create an over-parameterized error correction model (ECM 1) that involved the process of leading and lagging the variables, followed by a parsimonious error correction model (ECM 2) that incorporate long-run equilibrium relationship and short-run dynamics into the model. This assumes that co-integration exists along with its extents and forms.

## Results

**Table 1: Descriptive Statistics**

| | LGDP | LDAT | LROT | LPAYE | LOTH |
|---|---|---|---|---|---|
| Mean | 24.094 | 20.571 | 19.887 | 22.775 | 21.276 |
| Std. Dev. | 1.79 | 1.67 | 1.47 | 1.61 | 3.283 |
| Minimum | 21.47 | 17.92 | 17.81 | 20.56 | 36.293 |
| Maximum | 27.604 | 23.41 | 23.22 | 26.11 | 53.2936 |

*Source: Author's Computation 2024.*

The average gross domestic product value is 24.094, with the minimum and highest values being 21.47 and 27.604 respectively, according to Table 1. Given that it is so distant from the mean value, the standard deviation of 1.79 indicates that the variability of the gross domestic product during the time period covered in Ekiti state is low. Additionally, because the direct assessment tax is relatively far from the mean value, as indicated by the standard deviation of 1.67 and the mean value of 20.571, the risk is low. 617.92 and 23.41 are the greatest and smallest numbers, respectively. Similar to this, road tax has a mean value of 19.887 and a minimum and maximum of 17.81 and 23.22, respectively.

**Correlation Analysis**

**Table 2: Pearson Correlation Matrix**

| Var. | LGDP | LDAT | LROT | LPAYE | LOTH |
|---|---|---|---|---|---|
| LGDP | 1 | | | | |
| LDAT | 0.7114 | 1 | | | |

| | | | | | |
|---|---|---|---|---|---|
| LROT | 0.7543 | 0.4738 | 1 | | |
| LPAYE | 0.8150 | 0.3905 | 0.3580 | 1 | |
| LOTH | 0.183 | 0.2735 | 0.1837 | 0.3562 | 1 |

*Source: Author's Computation 2024.*

Table 2 reveals that all the predictors have a positive relationship with gross domestic product with the correlation coefficient of 0.7114 for direct assessment tax, 0.7543 for road tax, 0.8150 for Pay- as-you earn tax and 0.183 for other taxes. This means that gross domestic products and all the predictors move in the same direction, connoting a positive relationship. Similarly, a positive relationship exist among the predictors of the study.

**Unit Root Test**

**Table 3: ADF Unit Root Test Results**

| | Level | | | First difference | | | |
|---|---|---|---|---|---|---|---|
| **Variable** | **Probability Statistic** | **p-value** | | **Probability Statistic** | **p-value** | | **Order of Integration** |
| | | **1%** | **5%** | | **1%** | **5%** | |
| LGDP | -4.196374 | —— | 0.0190 | —— | —— | —— | I(0) |
| LDAT | -4.754219 | 0.0010 | —— | —— | —— | —— | I(0) |
| LROT | -3.923352 | 0.0099 | —— | —— | —— | —— | I(0) |
| LPAYE | 1.492204 | —— | —— | -3.987024 | 0.0084 | —— | I(1) |
| LOTH | -1.294510 | —— | —— | -4.173448 | —— | 0.0221 | I(1) |

*Source: Author's Computation 2024.*

Only LDGP, LDAT, and LROT are stationary at level, according to Table 3, but LPAYE and LOTH become stationary after the first differencing. The variables' mixture of I(0) and I(1) series is confirmed by the unit root test. This suggests that the only way to test for a long-term connection (cointegration) is to do a limits test, as suggested by Pesaran, Shin, and Smith (2001).

**Estimation Model**

In order to achieve the specific objectives of this study, the long-run results were relied upon in testing the research hypotheses of this study

**Long -run results**

**Table 4: Long-run results of the effect of exchange rate volatility on industrial output growth in Nigeria**

| Variable | Coefficient | p-value |
|---|---|---|
| Constant | 12.559 | 0.000 |
| LDAT | .5105 | 0.048 |
| LROT | .3913 | 0.241 |
| LPAYE | .8267 | 0.005 |
| LOTH | .7348 | 0.068 |

*Source: Author's Computation 2024.*

As shown in Table 4, in the long run, all the independent variables have a positive effect on gross domestic product, with their respective coefficient values of .5105 for direct assessment tax, .8267 for PAYE, .3913 for road direct tax and .7348 for other taxes. However, unlike direct assessment taxes and pay-as-you-earn which exerts a positively significant effect on gross domestic product with a 0.005 probability value, the positive effect of road tax and other taxes are not significant with their respective p-values of 0.241 and 0.068.

**Bound Test**

**Table 5: Bounds Test Result**

**Critical value bounds**

| F-statistic | Significance level | Lower bound | Upper bound |
|---|---|---|---|
| | 1% | 3.41 | 4.68 |
| 4.413136 | 5% | 2.62 | 3.79 |
| | 10% | 2.26 | 3.35 |

*Source: Author's Computation 2024.*

Table 5 demonstrates that the null hypothesis may be rejected since the F-statistic is larger than the upper bound critical values at a 10% significance level. This suggests that the variables in the model have a long-term link, or integration.

## Discussion of Findings

This study unravelled the connection between tax revenue and the performance of Ekiti State Government. Several analyses were carried out however, the discussion of findings was strictly based on long run effect estimation results being the most consistent and efficient estimation. Firstly, it was revealed that direct assessment tax has a positive significant effect on the performance of Ekiti State Government with the coefficient and P-value of 0.5105 and 0.048<0.05. The inference of this discovery is that with a 1% increase in direct assessment tax in Ekiti State, Nigeria, gross domestic product will equally increase by 51% significantly. The positive effect might be due to the efficiency of the tax officials. Correspondingly, the positive effect became significant probably because of the capability of the government to judiciously utilize direct assessment tax in providing the needs of the people of Ekiti state. This outcome established the tenets of fiscal federalism theory that state IGR should be able enough to adequately supply for the demands of the people. This outcome negated the findings of Mohammed, Ahmed and Salihu (2020) and Ajike, Ariguzo, Akinyosoye, Nwankwere and Oyedeji (2020) that the relationship between direct assessment tax and government performance is statistically significant and positive. On the other hand, this finding corroborated the discovery of Olalekan and Irewole (2023) that direct assessment tax has no significant effect on infrastructural development.

Another discovery is that road tax was found to exert a positive but insignificant effect on Ekiti state government performance to the tune of 0.3913 (p=0.241>0.05). This reflects that gross domestic product will increase by 39.13% whenever there is an increase in road tax by 1%. The beneficial impact, positive impact, may be attributed to the fact that road tax adds to the government's internal revenue. However, it is insignificant when compared with the amount of money spent each month by the government to maintain the state's functioning. Furthermore, the minimal impact of road tax on real government spending may be attributable to duplication of government offices and occasional misuse of scarce resources. This finding implies that road tax may not substantially boost real government spending in Ekiti state, Nigeria. This outcome failed to corroborate the findings of Nnanseh and Sunday (2023) and Olayinka and Phebe (2023) that road tax insignificantly influences government performance.

Furthermore, pay-as-you-earn tax has a positive and significant effect on government performance with the coefficient and P-value 0.8267 and 0.005. This stipulates that with just a 1% increase in pay-as-you-earn tax, government performance will increase by 82% significantly. This may be attributable to state governments' efforts to strengthen their income base via domestically generated revenue when the anticipated federal grant was drastically reduced. This finding implies that a personal income tax may lead to an increase in real government performance in Ekiti State, Nigeria. This outcome gave credence to the findings of Adesoji and Faith (2020), Amoh and Adom (2021) and Abass (2020). However, it negated the outcome of Samuel and Gabriel (2020) that the contribution of internally generated revenue on government performance is very low.

Finally, other taxes have a positive but insignificant effect on the Ekiti state government performance captured with gross domestic products with the coefficient and probability values of 0.7348 and 0.068 respectively. This implies that other taxes have the independent capacity to cause an increase in the Ekiti state government performance though at an insignificant level. This might be due to the high level of corrupt practices among the tax official when collecting the taxes and the public office holders when allocat8ing and utilizing the taxes generated. This finding agreed with the conclusion of Emmanuel (2023) that other taxes insignificantly contribute to gross domestic products of Bayelsa state.

## Conclusion

Recently, some studies have examined the nitty-gritty of the tax revenue and their possible impacts on government performance across the federation of Nigeria. However, few of these studies captured tax revenue with PAYE, direct assessment tax, road tax and other taxes. All these constituted the predictors of this current study. Consequently, none of the aforementioned recent studies was conducted in Ekiti State, Nigeria. Based on these backdrops, the researcher was motivated to further examine the relationship between tax revenue and Ekiti state government performance. Based on the analysis carried out, it was established that there was a statistical relationship between tax revenue and the performance of Ekiti state government in Nigeria.

## Recommendations

Based on the findings made, the following recommendations are made:

i. Ekiti State government should strictly enforce regulations on direct assessment tax to bring more taxable people into the tax net. This might enable the positive effect of direct assessment tax on capital expenditure to be significant.

ii. The impacts of road taxes on government performance were found to be favourable but negligible. As a result, state governments are urged to emulate efforts from other states that have a complete database for all taxpayers. This would not only put a stop to evaders of road taxes, but it may also increase the efficiency of tax officials.

iii. The government should ensure that the agencies responsible for personal income tax are highly efficient by using a carrot and stick approach in which promotion and entitlement of individuals in such agencies correlate with their level of efficiency.

iv. The state government should strategize different systems of accountability such as the adoption of TSA to curb the spread of corrupt practices among the tax collectors and public office holders. Also, committees should be set up to monitor the flow of public funds generated from taxes in the state.

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