

EFFECT OF CAPITAL FLIGHT ON NIGERIA TAX REVENUE

By

Dr Onomuhara Oke Godwin

Department of Accounting,

Faculty of Social and Management Sciences

Igbinedion University University

Okada

And

DR ISEREMEIYA COMFORT

Department of Accounting,

Faculty of Management Sciences

Ambrose Alli University

Edo state

Abstract

This study examines the effects of capital flight on Nigeria's tax revenue. the specific objectives are to, determine the relationship between external debt and Nigeria's tax revenue.

determine the relationship between foreign direct investment and Nigeria's tax revenue,
determine the relationship between current account balance and Nigeria's tax revenue,
determine the relationship between foreign reserves and Nigeria's tax revenue.

The summary statistics of all the variables under study were described in their raw form and transformed series, this was done in order to describe the data in naira and to determine the normality of the series. Specifically, the mean values of the External Debt (ED), In order to achieve the broad objective of this study, i.e. to determine the effect of capital flight on Nigeria's tax revenue, the Augmented Dickey-Fuller and Phillip-Perron unit root tests were conducted. The result of these tests revealed that current account balance and foreign reserves measured by its natural logarithm are stationary at level, while tax revenue, external debt and foreign direct investment measured by its natural logarithm are stationary at first difference. As they are in different order of integration, Johansen co-integration test was performed to determine if they are cointegrated or not, and the outcome of the test showed that there is co-integration between them. The co-integration implies that capital flight and Nigeria's tax revenue exhibit a long-run relationship. That is, they are related and can be combined in a linear fashion. Even if there are shocks in the short run, which may affect movement, they would converge in the long run.

Keywords- Capital flight, Tax , revenue, foreign direct investment,

INTRODUCTION

The outflow of resident capital which is motivated by economic and political uncertainties in the home country is known as "capital flight" (Schneider, 2003). Capital flight is the movement of money from investments in one country to another in order to avoid country – specific risks, such as hyperinflation, political turmoil and anticipated depreciation or devaluation of the currency, or in search of higher yield (Adesoye AB, Maku OE, Atanda AA (2012)

The outflow of funds from debt ridden economies would further increase their external reserves and balance of payment (BOP) position, reduce domestic savings and future growth potentials (Olugbenga & Alamu, 2013). "Capital flight can be done through the following means; declaring of non-existing foreign debts, illegal electronic fund transfers from private

banking services, currency smuggling, over – invoicing of imports and under – invoicing of exports. Capital flight can also be caused by other factors such as speculation that any of the vehicle currencies will fall e.g. dollar, unfriendly investment climate facing both the local and foreign investors, inflation, repressive financial system etc. In economics, it occurs when assets and/or money rapidly flow out of a country, due to an economic event that disturbs investors and causes them to lower their valuation of the assets in that country, or otherwise to lose confidence in its economic strength. This leads to a disappearance of wealth and is usually accompanied by a sharp drop in the exchange rate of the affected country. The adverse effects of capital flight in the development of a country are enormous and severe. It reduces potential growth thereby causing a fall in investment. Also, funds taken outside the country cannot be taxed thereby causing a loss of revenue for the government” (Olatunji & Oloye, 2015).

Capital flight is attributed to macroeconomic mismanagement, policy distortions, exchange rate misalignment and budget deficit respectively Obadan (2004)]. For example, as investors anticipate higher taxes, they divert their investment abroad. Also, where the local currency is overvalued, it leads to real exchange rate appreciation in order to correct the overvaluation. When currency devaluation is expected, investors usually move out their domestic assets and invest in foreign countries in order to avoid the capital loss that will result from devaluation.

In recent times, multinational enterprises have risen in power and visibility, but have come to be viewed more ambivalently by both governments and consumers worldwide. Indeed, multinationals today are viewed with increased suspicion given their perceived lack of concern for economic well-being of their host countries and more importantly, the public impression that multinationals indulge in capital flight by moving their profits across borders at will (Uguru, 2016).

Multinational corporations avoid taxes by mispricing trade transactions between different jurisdictions and subsidiaries, allowing their profits to be moved offshore without being taxed. Tax administrations of many African countries lack sufficient staff to be able to devote time to tackle the complex transfer pricing strategies of multinationals. The result is that no African country has raised a successful challenge to a transfer pricing arrangement, yet the practice is on the increase (Uguru, 2016). Multinational’s increased profit arise from money which is in effect collected by the government by taxation from its taxpayers (Davidmann, 2006). However, capital flight occurs, because the owner of the money involved believes that the cash or assets they hold will be lost to them if they are kept in the country in which they are originated (Murphy, 2007). The reasons for holding such asset abroad may be as a result of political and economic instability. Notwithstanding the reasons for capital flight, the country

in which it originated may not charge tax on the money or the investment income it may generate, thereby reducing the revenue base of the originating country through tax evasion.

“In order to improve domestic resources, most developing countries including Nigeria have opted for external borrowings which will eventually be diverted into private assets abroad, thus, the contradictory situation of accumulation of external debt by developing countries and the corresponding acquisition of external assets by resident has been an additional motivation behind the interest on capital flight. The recent global financial crisis and its generated problem of massive movement of funds out of the country has undoubtedly contributed to the growth of capital flight as well as the present consolidation crisis which is threatening the development of the banking subsector” (Otene & Richard, 2012). It is against this backdrop that this study seeks to examine the effect of capital flight on Nigeria’s tax revenue.

1.2 Statement of the Problem

Capital flight in Nigeria has led to huge loss of revenue especially tax revenue, thus hindering growth and threatening economic development. According to Onyele and Nwokwocha (2016), aggregate tax revenue in Nigeria have been paltry over the years. This is due to poor tax administration coupled with the high rate of tax evasion and avoidance among taxpayers (individuals and corporate bodies) which have led to fiscal deficit and epileptic economic performance. Following the decline in tax revenue, oil revenue and other sources of funds available to government, fiscal deficit have been on the increase which has automatically led to external borrowing to fill the gap. According to Uche (2017), going by the poor tax receipts in 2016, the Federal Government’s ability to execute key projects and programmes in the 2017 budget may run into a storm. This is because, out of the projected tax revenue of N5 trillion expected from the Federal Inland Revenue Service (FIRS) for last year, only N1.2trn was realised as at December 31, 2016. This is a shortfall of N3.8trn, a 12-year low. Undoubtedly, the declining tax returns do not bode well for the economy. At the moment, Nigeria’s tax revenue ratio to Gross Domestic Product (GDP) is six percent, making it one of the poorest in Africa (visit <http://sunnewsonline.com/nigerias-declining-tax-revenue/> for details). In addition, multinational corporations also avoid taxes by mispricing trade transactions between different jurisdictions and subsidiaries, allowing their profits to be moved offshore without being taxed

(Uguru, 2016). A way forward is to broaden the tax net nationwide, tighten border security to check smuggling, enforce all relevant rules to check tax evasion, and plug all the ways in which importers evade payment of import duties. Tax officials need to be motivated and

dutifully rewarded to discourage them from colluding with tax dodgers. Overall, taxpayers want to see the dividends of the taxes they pay to encourage them to stop tax evasion.

1.3 Objectives of the Study

The broad objective of this study is to examine the effects of capital flight on Nigeria's tax revenue. However, the specific objectives are to:

1. determine the relationship between external debt and Nigeria's tax revenue
2. determine the relationship between foreign direct investment and Nigeria's tax revenue.
3. determine the relationship between current account balance and Nigeria's tax revenue.
4. determine the relationship between foreign reserves and Nigeria's tax revenue.

1.4 Research Hypotheses

In the light of the above, the following null hypotheses will be tested in the course of the study;

H₀₁: There is no significant relationship between external debt and Nigeria's tax revenue.

H₀₂: There is no significant relationship between foreign direct investment and Nigeria's tax revenue.

H₀₃: There is no relationship between current account balance and Nigeria's tax revenue.

H₀₄: There is no significant relationship between foreign reserves and Nigeria's tax revenue.

LITERATURE REVIEWS

2.1 The Concept of Capital Flight

There are various definitions of capital flight, which has made it a very wide area for researchers, with every researcher attempting to define or explain his definition. Generally, the phenomenon known as "capital flight" specifically refers to the massive exodus of financial resources from investments in one country to another in order to avoid country – specific risks, such as inflation, political turmoil and exchange rate volatility, or in search of higher returns (Adekunle, 2011). Dooley (1986) defines capital flight as those external assets held by the private sector that do not generate income reflected in the balance of payments

account of a country. This definition, however, excludes those outflows that are considered normal in the sense that they correspond to ordinary portfolio diversification and business transactions of domestic residents (Uguru, Benjamin & Chibuike, 2014). Also, Okoli, M. N. and Akujuobi, A. B. C. (2009) says “capital flight is the international transfer of short-term funds- investment or loans maturing within a year or less, as well as long-term funds escaping domestic taxation, inflation, political instability, devaluation or some other unfavourable circumstances. Such flights of capital can cause balance of payments problems, since they can rapidly deplete domestic reserves”.

Theoretically, capital flight comprises a broad variety of activities ranging from legal to those that are illegal and harmful to the economy. Based on its illegality, capital flight is the illicit outflow of capital from one country to another through money laundering, child trafficking, drug trafficking, poor governance and bad institutional quality where corrupt public authorities take advantage of their position to siphon public funds (KindleBerger, 1987). Deppler and Williamson (1987) considered capital flight to be the acquisition or retention of a claim on nonresidents that is motivated by the owner's concern that the value of his asset would be subject to discrete losses or impairment if his claims continued to be held domestically. Schneider (2003) defines it as the outflow of resident capital from a country in response to economic and political risk in the domestic economy. Cuddington (1986) sees capital flight as short-term private capital outflow which occurs in the response

2.2 Relationship Between Capital Flight and Nigeria’s Tax Revenue

The proximate cause of capital flight could be hyperinflation, political turmoil, anticipated depreciation or devaluation of the currency, or in search of higher yield (Kindleberger(.Adekunle, 2011). However, this study shows the relationship between capital flight and Nigeria’s tax revenue in foreign direct investment, foreign reserves, external debts, current account (deficit / surplus), and trade misinvoicing / transfer

2.2 Measurements of Capital Flight

There are two broad approaches to measuring capital flight in the literature: the direct ‘hot Money’ approach; and indirect ‘residual’ approach.

The direct ‘hot money’ approach

The hot money method, adopted by Cuddington (1986), determines the magnitude of capital flight by considering the speculative capital flows (also referred to as *hot money*) of a short nature that adjust to intermittent interest rate differentials, financial or political uncertainty, contractionary fiscal policy and restrictive capital or exchange controls. Cuddington measures hot money by using the balance of payment. He treats the ‘errors and omissions’ entry as an indication of private capital flows or ‘hot money’. The ‘errors and omission’ is the discrepancy item that emanates when the debit and credit side of the capital and current account of the balance of payment do not balance. This could happen when a surplus on the combined current and capital account is not matched by increase in reserves assets. In this case, the net errors and omissions would be negative, indicative of positive capital flight. The Hot Money Method can be expressed as follows.

$$CF = FB + FDI - CAD - \Delta FR - EO - \Delta WBIMF$$

Where, CF is capital flight, FB is foreign borrowing as reported in the BOP statistics, FDI is the net foreign direct investment, CAD is the current account deficit/surplus, ΔFR is the change in the stock of official foreign reserves, EO is net errors and omissions, and $\Delta WBIMF$ is the difference between the changes in the stock of external debt reported by the World Bank and foreign borrowing reported in the BOP statistics published by the IMF. This method uses both recorded and unrecorded flows to measure capital flight (Uguru, 2016).

The indirect ‘residual’ approach

The residual approach to measuring capital flight takes the view that recorded flows should not be considered as capital flight. It therefore defines capital flight as a residual, the difference between recorded inflows and recorded uses of foreign exchange (Cuddington, 1986, 1987; Erbe, 1985; World Bank, 1985). If BoP data were the sole source of information used, this would simply mean ‘net errors and omissions.’ Because debt inflows very often are under – reported in the BoP accounts. However, researchers obtain information on these flows from other official sources – typically the World Bank’s *Global Development Finance* database, and recalculate the residual on this basis. This is the approach that is most prominently used in the literature. Capital flight, under the residual approach can be estimated as follows:

$$CF = \Delta ED + FDI - CAB - \Delta RES$$

Where, CF refers to capital flight, ΔED refers to the change in stock of gross external debt, FDI is the net foreign direct investment, CAB is the current account balance, and ΔRES is the change in the stock of foreign reserves.

2.3 Review of Related Theories

Several theoretical contributions have been made as regards the subject matter. These theories are of relevance to this study as they serve as a building block to this research work and as such the following theories will be discussed; the investment diversion theory, debt – driven capital flight theory also called debt-overhang theory, tax – depressing theory, and austerity generating theory.

2.3.1 The Investment Diversion Theory

This theory postulates that due to the macroeconomic and political uncertainty in developing countries and the simultaneous existence of better investment opportunities in advanced countries like high foreign interest rate, wide array of financial instruments, political and economic stability, favourable tax climate and secrecy of accounts. Some, unscrupulous, corrupt leaders and bureaucrats usually siphon scarce capital resources from their countries to advanced countries. These funds are therefore, not available for investment at home leading to decline in aggregate investment, low economic growth, hence declining the employment, increase in dependency ratio and high death rate. These negative macroeconomic effects on these countries sometimes motivate the necessity to borrow from abroad to reactivate the domestic economy, which is sometimes further siphon thereby perpetrating external dependency and indebtedness. The liquidity constraint or crowding – out effect may result to depreciation of the domestic currency if the authorities are operating a floating exchange rate system (Ajayi, 1992). An attempt to defend the exchange rate at this time leads to loss of international reserves. The investment diversion theory provides one of the well-known negative consequences of capital flight in the countries involved.

2.3.2 The Debt-Driven Theory Also Called Debt-Overhang Theory

Debt-overhang occurs when a nation's debt is more than its debt repayment ability. The theoretical literature suggests that foreign borrowing has a positive impact on investment and growth up to a certain threshold level. Krugman (1988) defines the “debt overhang” as the presence of an existing inherited debt sufficiently large that creditors do not expect with confidence to be fully repaid. These theories show that if there is some likelihood that in the future debt will be larger than the country's repayment ability, expected debt-service costs will discourage further domestic and foreign investment. The existence of a potential debt overhang tax may affect the incentives of policymakers, but also those facing the private sector. Sachs (1998) asserts that a heavy foreign debt burden of a developing country government impedes economic growth through several channels. Higher debt tends to undermine macroeconomic stability by increasing budget deficits. If debt service is covered

by higher taxes rather than by an increased budget deficit, the high rates of taxation tend to undermine growth by introducing serious distortions in the economy, including heightened barriers to trade (via trade taxes), capital flight, tax evasion and reduced work effort. This theory states that capital flight reduces the incentive to save and invest. The assumption there is that with large foreign debt, there are the expectations of exchange rate devaluation, fiscal crisis, and the propensity of the crowding out of domestic capital and expropriation of assets to pay for the debt.

2.3.3 The Tax-Depressing Theory

This theory postulates that capital flight leads to potential revenue loss, because wealth held abroad are outside the control of the domestic government and cannot therefore be taxed. The fall in government revenue complicated the task of politico-economic engineering to promote growth and development. The outcome of this is the reduction in debt-servicing capacity of the government. This in turn increases the debt burden, which constrains economic growth and development. Thus, a direct resultant of capital flight is the reduction in revenue generating potential of government.

2.3.4 The Austerity Theory

This theory views the poor in several indebted situations due to capital flight. They suffer more, because they are exposed to severe austerity measures by government to pay for debt obligations to international banks that in turn pay interest to capital flight from residents in these countries (Pastor, 1989). Poverty in developing countries reduces them to hewers of wood and drawers of water while perpetrating international inequality and dependency, and widening the gap between the rich countries and poor countries. Furthermore, the tax that the poor may pay is small, which again constrains the ability of government to muster enough resources to promote growth and development with poverty alleviation. Thus, a vicious circle of external debt, capital flight, poor growth, poverty and external debt is created. From the above, capital flight destroys the domestic macroeconomic environment and enhances the absence of transparency and accountability. These distortions manifest themselves in weak governance, large government deficits, overvalued exchange rate, high and variable inflation coupled with financial repression (Ajayi, 1992). Thus, it can be concluded that where there is a heavy debt, capital flight increases, with capital flight also exacerbating and magnifying the debt problems of these countries.

2.4 Empirical Review

Cuddington (1986) with the use of portfolio adjustment model found that residents would consider foreign financial assets as an edge against domestic inflation. He discovered that the motivators of capital outflow include exchange rate overvaluation, disbursement of public debt and lagged capital flight. He studied four developing countries – Argentina, Mexico, Uruguay and Venezuela.

Isu (2002) analysed the implication of capital flight on the development of Nigeria and concludes that Nigeria had greatly suffered as a result of capital flight. Thus, within the period of study (1970 – 1991), Nigeria is assumed to have lost resources in excess of \$45 billion to capital flight. He recommends that the element of uncertainty in Nigeria's macro economy occasioned by an unpredictable political transition, unpredictable economic environment, unpredictable living standards and unpredictable productivity levels should be forcibly removed from the Nigerian environment to make for a reversal of the capital outflows syndrome.

Ajilore (2005) analysed external debt and capital flight in Nigeria within 1970 – 2001, using the residual method of capital flight estimation, and concludes that there is a close correlation between external debt and capital flight. This is consistent with the study of Bakare (2011) where it was shown that the greatest shock to capital flight came from external debt and corruption.

In Folorunso (2008), Nigeria was used as an example to analyse capital flight in a developing economy. The arbitrage approach was employed in explaining the burden of capital flight and his rate and inflation shows no evidence of debt fuelled capital flight. This finding was contrary to the result of the study of Ajayi (1992).

Ajilore (2010) in his study “an economic analysis of capital flight from Nigeria” observed that trade faking and misinvoicing account majorly for capital flight in selected African countries including Nigeria and hinder long-term economic growth. This is consistent with the study of de Boyrie et. al. (2007).

Ugwuanyi and Uguru (2010) analysed the influence of capital flight as a multidisciplinary phenomenon on foreign direct investment in Nigeria. They employed the ordinary least squares (OLS) regression model in the study and found that capital flight has a negative and

significant influence on foreign direct investment in Nigeria for the period under study (1997 – 2004). It is, however, recommended that government should minimize policy reversals, since an erratic stance and frequent policy reversals create uncertainty that reduce private domestic investment thereby creating room for capital flight and its attendant undesirable effect.

In Uguru (2011), the impact of capital flight on the corporate performance indices of profit, cost of production and tax paid by some selected multinational corporations in Nigeria was evaluated. With the employment of the OLS regression model, the findings show that corporate profits which are supposed to be ploughed back into the economy are shifted abroad; transfer mispricing and over - invoicing of import increase the high cost of production of firms, which lead to high cost of consumer goods in Nigeria, and capital flight reduces government revenue through tax evasion.

Otene and Richard (2012) examines the impact of capital flight on Nigeria economy using twostage least square technique for the period 1970 – 2008. In the estimated model, it was discovered that capital flight has a negative and significant impact on economic growth. Also their findings indicate that non – performance of domestic resources can trigger capital flight.

Zakaree and Ayodeji (2012) examined the impact of capital flight on exchange rate and economic growth in Nigeria, using ordinary least squares (OLS) method to analyse the secondary data. It was found that capital flight has a positive and significant impact on the exchange rate in Nigeria, and unlike most of the existing studies, capital flight has a positive effect on economic growth in Nigeria.

In Oke and Kolapo (2012) investigate the relationship between capital flight determinants and Nigeria economic growth for the period of 1985 to 2010. Using the co-integration approach, it was concluded that exchange rate and inflation are the main determinants of capital flight from Nigeria.

Umoru (2013) in his study explores empirically the relative effect of capital outflows on the growth rate of GDP in Nigeria. The paper estimates a simultaneous equation model and the numerical coefficients of the model were estimated with the Generalized Method of Moment (GMM). Using the secondary data from 1980 – 2000, the Augment Dickey Fuller (ADF) regression was adopted in the test of hypothesis formulated. The findings show that capital flight has adverse effects on the growth rate of GDP. The study recommends that there is an

acute need to implement economic policies that can invigorate domestic investment and discourage capital flight in order to enhance economic growth in Nigeria.

Akani (2013) investigates into the determinant, measurement and impact of capital flight on the economic growth in Nigeria using ordinary least square (OLS), multiple regression and descriptive.

Olugbenga and Alamu (2013) examined the impacts of capital flight on Nigeria economic growth over a period of 30 years (1981 – 2010). The Johansen Co-integration test was utilized to investigate the dynamic relationship between capital flight and economic growth. The result shows that capital flight has negative impact on economic growth in the short-run but the reverse is the case in the long-run. The study therefore recommends that since unproductive use of borrowed fund is reflected in embezzlement by political office holders and subsequent transfer to foreign private accounts, effort should then be made to ensure strict monitoring of execution of public projects, accountability and transparency. Also, enabling business environment to encourage foreign investors into Nigeria should be created; and capital outflows that finance importation of capital goods that are necessary for development purposes should be encouraged due to its long-run positive effects.

Enyi (2014) examined the impact of inflation and tax rate on capital flight in Nigeria. The study adopted ordinary least square analytical technique in data analysis and the result revealed that inflation and tax have significant influence on capital flight in both short run and long run. It recommended that special incentive should be given for domestic investment so as to minimize the outflow of domestic capital.

Obidike et. al. (2015) investigated the impact of capital flight on the economic development of

Nigeria on the basis of time series property test involving Augmented Dickey-Fuller (ADF).

They adopted Autoregressive Distributed Lagged model (ARDL) and the result of the Auto Regressive Distributed Lagged (ARDL) model showed that capital flight has negative and significant impact on economic development.

In Uguru (2016), Ordinary Least Square (OLS) model on time series data was adopted to quantify capital flight under the hot money or balance of payment approach, and it was revealed that capital flight has significant effect on tax revenue in Nigeria. Results of the study equally show that a unit increase in capital flight will lead to a 2 per cent decrease in tax revenue in Nigeria.

Sa'ad, Umar, and Maniam (2017) focused on the empirical determinants of external debt burden in Nigeria from 1973 – 2013 using Autoregressive Distributed Lag (ARDL) Cointegration Technique, and their study revealed that consumer price index (CPI), interest rate on external debt (IR), gross domestic product (GDP), and money supply (M2) are cointegrated with external debt (ED) in both the short-run and long-run within the study period.

METHODOLOGY

3.1 Research Design

This study adopts a longitudinal research design since it encompasses time series data. A longitudinal design is a research study where a sample of a population is studied at intervals to examine their effects of development. It involves repeated observation of the same variables over short or long periods of time.

3.3 Sources of Data

The data to be used in this study are mainly secondary data. The secondary data are quantitative in nature, and was obtained from such publications as existing research journals, Central

Bank of Nigeria statistical bulletin, World Bank Digest of Statistics, Annual Abstract of Statistic of the National Bureau of Statistics (NBS), World Bank's global development finance database, and IMF's international financial statistics.

3.4 Model Specification and Data Analysis Plan

In the light of the methodological knowledge gathered and empirical literature studied so far, a multiple regression model is specified using the residual approach to capital flight as found in Okoli, M. N. & Akujuobi, A. B. C. (2009), because it encompasses the variables of interest.

The model is, therefore, specified as follows.

$$\text{CF} = f(\Delta\text{ED}, \text{FDI}, \text{CAB}, \Delta\text{RES}) \quad (1)$$

This function can be better expressed as follows

$$CF = \Delta ED + FDI - CAB - \Delta FR \quad (2)$$

Where,

ΔED = change in external debt stock.

FDI = net foreign direct investment.

CAB = current account balance.

ΔFR = change in foreign reserves.

On the other hand, the equation relating to tax revenue as found in Uguru (2016) is expressed as follows.

$$TRev = f(CIT, VAT, PPT, C\&ED) \quad (3)$$

This function can also be better expressed as

$$TRev = CIT + VAT + PPT + C\&ED \quad (4)$$

Where,

$TRev$ = tax revenue in Nigeria.

CIT = company income tax.

VAT = value added tax.

PPT = petroleum profit tax.

$C\&ED$ = custom and excise duty.

However, the simple regression analysis model specified for this study is given as:

$$TRev = f(\text{capital flight})$$

Substituting the residual approach expression for capital flight in the model, the following is given.

$$TRev_t = \beta_0 + \beta_1 \Delta ED_t + \beta_2 FDI_t + \beta_3 CAB_t + \beta_4 \Delta FR_t + \epsilon_t$$

DATA ANALYSES , INTERPRETATION AND PRESENTATION

4.1 Data Analyses and Interpretation

4.1.1 Descriptive Analysis

This section provides an overview on the data set while attempt is also made to describe the main attributes of the data.

The descriptive analysis of the raw data obtained in ₦'billion is shown in Table 4.1; Table 4.2 shows the contribution of capital flight to tax revenue lost; and the natural logarithm of each series were depicted in Table 4.3. Table 4.1 shows the mean, median, maximum, minimum, standard deviations, skewness, kurtosis and Jarque-Bera statistics of all variables of Tax

Revenue (TREV), External Debt (ED), Foreign Direct Investment (FDI), Current Account Balance (CAB), and Foreign Reserves (RES). Table 4.2 shows the mean, median, maximum, minimum, standard deviations, skewness, kurtosis and Jarque-Bera statistics of the transformed series of TREV, ED, FDI, CAB, and RES in order to determine the series suitable for running the Ordinary Least Square regression.

Table 4.1: Descriptive analysis of the raw data of variables in ₦'Billion

	TREV	ED	FDI	CAB	RES
Mean	1187.225	1336.457	2165.567	2881.330	2404.096
Median	322.1505	633.0170	248.2000	687.9064	32.30000
Maximum	4727.988	5787.513	29660.30	44731.20	65271.80
Minimum	6.293000	2.331200	1.921210	-19488.7	-18498.2
Std. Dev.	1510.830	1563.396	5746.346	10657.99	13926.73
Skewness	1.134839	1.339955	3.583705	2.571241	3.108188
Kurtosis	2.988940	3.696738	16.08099	11.33797	13.75826
Jarque-Bera	7.941989	11.82052	342.9961	147.9490	238.0080
Probability	0.018855	0.002711	0.000000	0.000000	0.000000
Sum	43927.33	49448.91	80125.96	106609.2	88951.57
Sum Sq. Dev.	82173875	87991431	1.19E+09	4.09E+09	6.98E+09
Observations	37	37	37	37	37

Source: Researchers Computation (2023) using E-Views

Table 4.2: Contribution of Capital Flight to Tax Revenue Lost

	ED	FDI	CAB	RES
Average contribution to TREV lost	112.57%	182.41%	242.69%	202.50%

Source: Researcher's computation (2023)

Table 4.3: Descriptive analysis of the Natural Logarithm of the variables under study

	LTREV	LED	LFDI	LCAB	LRES
Mean	2.390404	2.669768	2.491259	1.190103	0.355656
Median	2.508059	2.801415	2.394802	2.837529	1.509203
Maximum	3.674676	3.762492	4.472176	4.650611	4.814726
Minimum	0.798858	0.367580	0.283575	-4.28978	-4.26713
Std. Dev.	0.994863	0.847895	0.809786	3.045227	2.716636
Skewness	-0.26834	-1.03347	0.430780	-0.68014	-0.27569
Kurtosis	1.615957	3.407657	4.212069	1.724226	1.812087
Jarque-Bera	3.397229	6.842557	3.409240	5.361845	2.644191
Probability	0.182937	0.032671	0.181841	0.068500	0.266576
Sum	88.44493	98.78140	92.17658	44.03382	13.15928
Sum Sq. Dev.	35.63106	25.88136	23.60714	333.8426	265.6840
Observations	37	37	37	37	37

Source: Researchers Computation (2023) using E-Views

Interpretation

Table 4.1 shows the summary statistics of all the variables under study in their raw form.

Specifically, the mean values of the External Debt (ED), Foreign Direct Investment (FDI), Current Account Balance (CAB), and Foreign Reserves (RES) stood at about ₦1336.457b, ₦2165.567b, ₦2881.330b, and ₦2404.096b respectively. Also, the mean of TREV stood at about ₦1187.225b. These average values were used in determining the average rate at which tax revenue was lost due to capital flight over the years under study. The computation is shown in Table 4.2. Their respective minimum and maximum values are equally shown

indicating variations over the years for the respective series. The standard deviation values displayed in Table 4.1 indicates the dispersion or spread in the data series. The higher the value, the higher the deviation of the series from its mean and the lower the value, the lower the deviation of the series from the mean. The variable with a higher degree of dispersion from the mean is the Foreign Reserves (RES), this explains its variations over the years under study.

Table 4.2 shows that on the average, ED, FDI, CAB and RES contributed about 112.57%, 182.41%, 242.69%, and 202.50% respectively to tax revenue lost over the years under study.

The skewness, kurtosis and Jarque-Bera statistics of all variables shown on Table 4.1 do not fully indicate the true nature of the data series since the probability value of Jarque-Bera statistics of all the series are shown to be less than the acceptable 0.05 for all the variables, indicating non-normality of the series. As such, the natural logarithm of each series was computed and the summary statistics of the transformed series are shown in Table 4.3. Based on the probability values for Jarque-Bera statistics in the descriptive Table 4.3, all the series are normally distributed. Thus, the regression model is estimated using the transformed series as one of the assumption of Ordinary Least Square Regression is normality of series which has been met.

4.2.2 Empirical Analysis

4.2.2.1 Correlation Analysis

The empirical analysis began by establishing the nature and extent of the relationship between the capital flight variables (ED, FDI, CAB and RES) and Nigeria's tax revenue (TREV). The time series data of ED, FDI, CAB, RES, and TREV in their transformed state were correlated. The results obtained are given in Table 4.2.2.1.1

Table 4.4: Correlation Analysis Result

	LTREV	LED	LFDI	LCAB	LRES
LTREV	1.000000	0.785969	-0.458653	0.487373	0.290767
LED	0.785969	1.000000	-0.238499	0.421105	0.087066
LFDI	-0.458653	-0.238499	1.000000	-0.07496	-0.298953
LCAB	0.487373	0.421105	-0.07496	1.000000	-0.090095

LRES	0.290767	0.087066	-0.298953	-0.090095	1.000000
------	----------	----------	-----------	-----------	----------

Source: Researcher's computation (2023) using E-Views

Interpretation

The correlation analysis shows that ED, CAB and RES have a positive relationship with TREV, while FDI has a negative relationship with TREV over the years under study.

4.2.2.2 Regression Analysis and Test of Hypotheses

The regression analysis was performed using OLS estimation, and the results of the analysis are shown in Table 4.5.

Table 4.5: Regression Analysis

Dependent Variable: LTREV

Method: Least Squares

Date: 01/3/23 Time: 09:26

Sample: 2018--2023

Included observations: 6

-Statistic	Prob.
2.331971	0.0262
6.269594	0.0000
2.560571	0.0154
2.341304	0.0256

Variable	Coefficient	Std. Error	t	
C	1.074554	0.460792		
LED	0.724632	0.115579		
LFDI	-0.293387	0.114579	-	
LCAB	0.073885	0.031557		
LRES	0.068108	0.033613		
R-squared	0.759233	Mean dependent var		2.390404
Adjusted R-squared	0.729138	S.D. dependent var		0.994863
S.E. of regression	0.517771	Akaike info criterion		1.646520
Sum squared resid	8.578766	Schwarz criterion		1.864211
Log likelihood	-25.46061	Hannan-Quinn criter.		1.723266
F-statistic	25.22721	Durbin-Watson stat		1.061007
Prob(F-statistic)	0.000000			

Source: Researcher's computation (2023) using E-Views

Interpretation

External debt, current account balance and foreign reserves show a significant positive relationship with tax revenue, because their respective coefficients of 0.724632, 0.073885, and

0.068108 respectively are greater than zero. The size of the coefficients of the independent variable shows that 1% increase in ED will cause 0.72% increase in TREV, 1% increase in CAB will cause 0.07% increase in TREV, and 1% increase in RES will cause 0.06% increase in TREV. Alternatively, foreign direct investment shows a significant negative relationship with tax revenue, because of its coefficient of -0.293387. This shows that 1% increase in foreign direct investment will cause 1% decrease in tax revenue. Also, the R-squared showed that about 76% variations in TREV can be attributed to ED, FDI, CAB and RES. This indicates that 76% of changes in the Nigeria's tax revenue can be explained by changes in capital flight over the years under study., while the remaining 23% variations in TREV are caused by other factors not included in this model. This shows a strong explanatory power of the model. This is further emphasized by the T-statistic p-values of 0.00, 0.01, 0.02, and 0.05, which show that the regression result is statistically significant because the T-statistic p-values are not greater than 5% level of significance adopted for this study. The F-statistic value of 25.22 is greater than the F-tab value which lies between 2.92 and 2.82. As such, the null hypotheses are rejected. The Durbin-Watson stat indicates the absence of autocorrelation in the regression model since it is less than the rule of thumb of 1.5.

Test of Hypothesis One (H_{01})

Research Hypothesis 1: There is no significant relationship between external debt and Nigeria's tax revenue.

Decision Rule: The decision rule is to reject the null hypothesis if the T-statistic is higher than the T-tab. Here, the decision is to reject the null hypothesis that there is no relationship between external debt and Nigeria's tax revenue since the T-statistic value of 6.26 is higher than T-tab value of 1.68. Therefore, there is a significant positive relationship between external debt and

Nigeria's tax revenue.

Test of Hypothesis Two (H_{02})

Research Hypothesis 2: There is no significant relationship between foreign direct investment and Nigeria's tax revenue.

Decision Rule: Here, we reject the null hypothesis that there is no relationship between foreign direct investment and Nigeria's tax revenue since the T-statistic absolute value of 2.56

is greater than the T-tab value of 1.68. Hence, there is a significant negative relationship between foreign direct investment and Nigeria's tax revenue.

Test of Hypothesis Three (H_{03})

Research Hypothesis 3: There is no relationship between current account balance and Nigeria's tax revenue.

Decision Rule: Here, we also reject the null hypothesis that there is no relationship between current account balance and Nigeria's tax revenue since the T-statistic value of 2.34 is greater than the T-tab value of 1.68. Hence, there is a significant positive relationship between current account balance and Nigeria's tax revenue.

Test of Hypothesis Four (H_{04})

Research Hypothesis 4: There is no significant relationship between foreign reserves and Nigeria's tax revenue.

Decision Rule: The decision rule, here, is to reject the null hypothesis that there is no relationship between foreign reserves and Nigeria's tax revenue since the T-statistic value of 2.02 is greater than the T-tab value of 1.68.

4.2.2.3 Unit Root Tests

The Augmented Dickey-Fuller (ADF) and Phillips-Perron (PP) unit root tests were conducted on each of the series under study to determine if they are stationary or not. Table 4.6 shows the summary of the unit root tests results of each series at level and at first difference.

Table 4.6: Summary of Unit Root Test Results

	Levels		First differencing	
	ADF t-statistic	Remark	ADF test statistic	Remark
LTREV	0.088983	NS	-5.476143	S
LED	-1.906785	NS	-4.4604	S
LFDI	-3.128971	NS	-7.558463	S
LCAB	-4.548547	S	-	-

LRES	-5.762063	S	-	-
	Phillips-Perron t-statistic	Remark	Phillips-Perron t-statistic	Remark
LTREV	0.013697	NS	-5.476143	S
LED	-2.509897	NS	-4.460402	S
LFDI	-3.089787	NS	-8.324704	S
LCAB	-5.423205	S	-	-
LRES	-6.201145	S	-	-

Source: Researcher's computation (2023) using E-Views

NB: NS and S denote non-stationary and stationary respectively

Interpretation

The result for unit root test of ADF and PP shows that CAB and RES measured by its natural logarithm are stationary at level, while TREV, ED and FDI measured by its natural logarithm are stationary at first difference. As the series are in different order of integration, Johansen co-integration test is performed to determine if the series are co-integrated or not, and the results are shown in the next section.

4.2.2.4 Co-integration Test

The series are in different order of integration, therefore, co-integration test is performed using the Johansen co-integration test. The result of the test is depicted in table 4.7.

Table 4.7: Johansen Unrestricted Co-Integration Rank Test (Trace) Result

Date: 01/3/23 Time: 11:16

Sample (adjusted): 2018 --- 2023

Included observations: 6 after adjustments

Trend assumption: Linear deterministic trend (restricted)

Series: LTREV LED LFDI LCAB LRES

Lags interval (in first differences): 1 to 1

Unrestricted Cointegration Rank Test (Trace)

Hypothesized	Trace	0.05
--------------	-------	------

No. of CE(s) Eigenvalue Statistic Critical Value Prob.**

None *	0.768639	109.1810	88.80380	0.0008
At most 1	0.553674	57.94875	63.87610	0.1425
At most 2	0.355318	29.71405	42.91525	0.5192
At most 3	0.208099	14.34911	25.87211	0.6287
At most 4	0.161932	6.182945	12.51798	0.4374

Trace test indicates 1 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Hypothesized Max-Eigen 0.05
No. of CE(s) Eigenvalue Statistic Critical Value Prob.**

None *	0.768639	51.23222	38.33101	0.0010
At most 1	0.553674	28.23470	32.11832	0.1387
At most 2	0.355318	15.36493	25.82321	0.6017
At most 3	0.208099	8.166167	19.38704	0.8064
At most 4	0.161932	6.182945	12.51798	0.4374

Max-eigenvalue test indicates 1 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

Source: Researcher's computation (2023) using E-Views

Interpretation

Based on the output of the Johansen co-integration test, we are interested in the value of the Trace statistic and Max-Eigen statistic. We reject the null hypothesis which states that there is

no co-integrating equation in this model if the Trace statistic and Max-Eigen statistic values are greater than the critical value at 0.05. “None, at most 1, at most 2, at most 3 and at most 4” indicate null hypothesis. None also indicates that there is no co-integrating equation in this model. There is likelihood of rejection for none, because it is asterisked. Thus, we reject the null hypothesis that there is no co-integrating equation in this model since the Trace statistic and Max-Eigen statistic values are greater than the critical value at 0.05. Based on the outcome of the Johansen co-integration test, there is an agreement between the Trace statistic and MaxEigen statistic. Therefore, we reject the null hypothesis that there is no co-integrating equation in this model.

This implies that the series are co-integrated, that is, they exhibit a long-run relationship. It also implies that the series are related and can be combined in a linear fashion. That is, even if there are shocks in the short run, which may affect movement in the individual series, they would converge in the long run.

4.3 Discussion of Findings

The purpose of this study was to examine the effect of capital flight on Nigeria’s tax revenue.

Secondary data was used for the analysis.

From the descriptive and empirical analyses, the following are the findings:

The summary statistics of all the variables under study were described in their raw form and transformed series, this was done in order to describe the data in naira and to determine the normality of the series. Specifically, the mean values of the External Debt (ED), Foreign Direct

Investment (FDI), Current Account Balance (CAB) and Foreign Reserves (RES) stood at about

₦1336.457b, ₦2165.567b, ₦2881.330b, and ₦2404.096b respectively. Also, the mean of Tax Revenue (TREV) stood at about ₦1187.225b. These mean values were used in determining the average rate at which tax revenue was lost to capital flight over the years under study. The variable with a higher degree of dispersion from the mean is the RES, indicating its variations over the years under study. Their respective minimum and maximum values are similarly shown indicating variations over the years for the respective series.

Furthermore, the average contribution of capital flight to tax revenue lost was computed, which indicates that capital flight has contributed to about 740.17% of tax revenue lost over the years under study.

Also, the probability of the Jarque-Bera statistics of the transformed series of all variables showed that the series are normally distributed. Thus, the regression model is estimated using the transformed series, as one of the assumptions of Ordinary Least Square Regression of normality of series has been met.

The correlation analysis in Table 4.4 shows that external debt, current account balance and reserves have a positive relationship with Nigeria's tax revenue, while foreign direct investment has a negative relationship with Nigeria's tax revenue over the years under study.

The regression analysis in Table 4.5 shows that 0.759 representing 76% of the variations in the

TREV can be explained by ED, FDI, CAB and RES. This indicates that 76% of changes in the

Nigeria's tax revenue can be explained by changes in capital flight over the years under study. External debt, current account balance and foreign reserves show a significant positive relationship with tax revenue, because of their respective coefficients of 0.724632, 0.073885, and 0.068108 respectively. This shows that 1% increase in external debt will cause 0.72% increase in tax revenue lost. This is consistent with the study of Ajilore (2005), Bakare (2011) where it was shown that the greatest shock to capital flight came from external debt. Similarly, 1% increase in current account balance will cause 0.07% increase in tax revenue lost. Alternatively, foreign direct investment shows a significant negative relationship with tax revenue, because of its coefficient of -0.293387. This shows that 1% increase in foreign direct investment will cause 1% decrease in tax revenue generated. This is consistent with the study of Ugwuanyi and Uguru (2010), Olugbenga and Alamu (2013), and Enyi (2014) where it was found that capital flight has a negative and significant influence on foreign direct investment.

The probability of t-stat of external debt, foreign direct investment, current account balance and foreign reserves shown in Table 4.5 reveals that the probability of this result occurring by chance was not greater than 0.05 level of significance. Hence, external debt, foreign direct investment, current account balance and foreign reserves are statistically significant.

In order to achieve the broad objective of this study, i.e. to determine the effect of capital flight on Nigeria's tax revenue, the Augmented Dickey-Fuller and Phillip-Perron unit root tests were conducted. The result of these tests shown in Table 4.6 revealed that current account balance and foreign reserves measured by its natural logarithm are stationary at level, while tax revenue, external debt and foreign direct investment measured by its natural logarithm are stationary at first difference. As they are in different order of integration, Johansen cointegration test was performed to determine if they are co-integrated or not, and the outcome of the test showed that there is co-integration between them. The co-integration

implies that capital flight and Nigeria's tax revenue exhibit a long-run relationship. That is, they are related and can be combined in a linear fashion. Even if there are shocks in the short run, which may affect movement, they would converge in the long run. This is consistent with the study of Uguru (2016) where it was found that capital flight has significant effect on tax revenue in Nigeria. Results of the study equally show that 1% increase in capital flight will lead to a 2% decrease in tax revenue in Nigeria.

Summary of Findings

1. The summary statistics of all the variables under study were described in their raw form and transformed series, this was done in order to describe the data in naira and to determine the normality of the series. Specifically, the mean values of the External Debt (ED),

Foreign Direct Investment (FDI), Current Account Balance (CAB) and Foreign Reserves (RES) stood at about ₦1336.457b, ₦2165.567b, ₦2881.330b, and ₦2404.096b respectively. Also, the mean of Tax Revenue (TREV) stood at about ₦1187.225b. These mean values were used in determining the average rate at which tax revenue was lost to capital flight over the years under study. The variable with a higher degree of dispersion from the mean is the RES, indicating its variations over the years under study. Their respective minimum and maximum values are similarly shown indicating variations over the years for the respective series.

2. Furthermore, the average contribution of capital flight to tax revenue lost was computed, which indicates that capital flight has contributed to about 740.17% of tax revenue lost over the years under study.
3. Also, the probability of the Jarque-Bera statistics of the transformed series of all variables showed that the series are normally distributed. Thus, the regression model is estimated using the transformed series, as one of the assumptions of Ordinary Least Square Regression of normality of series has been met.
4. The correlation analysis in Table 4.4 shows that external debt, current account balance and reserves have a positive relationship with Nigeria's tax revenue, while foreign direct investment has a negative relationship with Nigeria's tax revenue over the years under study.
5. The regression analysis in Table 4.5 shows that 0.759 representing 76% of the variations in the tax revenue can be explained by external debt, foreign direct investment, current account balance and foreign reserves. This indicates that 76% of changes in the Nigeria's tax revenue can be explained by changes in capital flight over the years under study. External debt, current account balance and foreign reserves show a significant positive

relationship with tax revenue, because of their respective coefficients of 0.724632, 0.073885, and 0.068108 respectively. This shows that when there is an increase in external debt stock, or an increase in current account deficit, or an increasing reduction of official foreign reserves, there will also be an increase in outflow of revenue (which includes tax revenue) for financing the external debt, current account deficit, and for bolstering the official foreign reserves, which in turn results in loss of tax revenue. Alternatively, foreign direct investment shows a significant negative relationship with tax revenue, because of its coefficient of -0.293387. This shows that when foreign direct investment increases, tax revenue will decrease. This implies that tax revenue will be lost if foreign investors fail to bring capital investments into the country.

6. In order to achieve the broad objective of this study, i.e. to determine the effect of capital flight on Nigeria's tax revenue, the Augmented Dickey-Fuller and Phillip-Perron unit root tests were conducted. The result of these tests shown in Table 4.6 revealed that current account balance and foreign reserves measured by its natural logarithm are stationary at level, while tax revenue, external debt and foreign direct investment measured by its natural logarithm are stationary at first difference. As they are in different order of integration, Johansen co-integration test was performed to determine if they are cointegrated or not, and the outcome of the test showed that there is co-integration between them. The co-integration implies that capital flight and Nigeria's tax revenue exhibit a long-run relationship. That is, they are related and can be combined in a linear fashion. Even if there are shocks in the short run, which may affect movement, they would converge in the long run.

5.2 Conclusion

This study has examined the effect of capital flight on Nigeria's tax revenue. All the independent variables (external debt, foreign direct investment, current account balance and foreign reserves) have statistical significance on the dependent variable (tax revenue).

Findings of this study therefore provide insight as to the extent to which each of the independent variables affects the dependent variable through the graphical corroboration and also provides an affirmation of the extent to which the variations in the dependent variable are caused by the independent variables covered in the models as depicted by the R-square and adjusted R-square.

The study concludes that capital flight has significant effect on Nigeria's tax revenue.

5.3 Recommendations

Based on the findings and conclusions of this study, the following recommendations are made:

Government should provide an enabling and business-friendly environment, through the provision of good road, water and electricity in order to encourage investment and reinvestment of profit by foreign investors in Nigeria. Also, diverse taxation should be abolished to avoid erosion of profits that sometimes cause multinational companies to seek for tax havens abroad.

Staff that work with the Tax Authorities should be sufficiently motivated in order to enhance revenue generation and improve the percentage of tax revenue to GDP.

There should be constant review of existing tax laws just as it is done in advanced countries, so as to keep the Act in pace with the economic reality.

Double taxation relief agreement should be judiciously applied to ensure that foreign capitals are not unduly taxed to minimize capital outflow from Nigeria. Nigerian government should equally establish monetary and fiscal policies that will be able to stabilize the economy. This is in view of the fact that unstable economy is one of the causes of capital flight.

Finally, Nigerian government should enforce economic policies that can encourage domestic investment and discourage capital flight so as to step up the revenue level from taxation in Nigeria.

5.5 Contribution to Knowledge

This study is believed to have made the following contribution to knowledge:

This study has thrown more light to the government and parastatals involved in the administration of tax in the country on more efficient ways of reducing loss of tax revenue to capital flight.

This study has contributed to the existing literature by attempting to form a connection between the empirical analysis on the impact of external debt, foreign direct investment, current account balance and foreign reserves on the Nigeria's tax revenue.

This study contributed to the existing literature by the findings that have been examined; implications of the findings, the recommendations that have been made, and future research should focus extensively on ways in which capital flight can be reduced so that loss of tax revenue will be eradicated.

REFERENCES

- Ndikumana, L. and J.K. Boyce, 2002. "Public debts and private assets: explaining capital flight from sub-Saharan African Countries." *World Development*, 31 (1): 107-130.
- Otene, S., and Richard, E., (2012): Capital Flight and Nigeria's Economy. *Journal of Research in National Development*, 10(2)
- Davidman M (2006). Community Economics Multinational Operations: Transfer Pricing and Taxation. (On-line: <http://www.solhaam.Org/articles/clm503.html>)
- Uguru LC (2011). Impact of Capital Flight on Corporate Performance in Nigeria. *Nig.J.Bus.* 5(1):83 –92.
- Odoh CM (2001) *International Accounting*. Enugu: Jokafoson Publishers.
- Akhor, S. O. and Uke, E. O. (2016). The impact of indirect tax revenue on economic growth the Nigeria experience. *Igbinedion University Journal of Accounting*: Available: <https://www.iuokada.edu.ng/journals/669B43B3F106FB7.pdf>
- Anyanwu, J.C. (1997). *Nigerian Public Finance*. Joanne Educational Publishers, Onitsha.
- Agu, C. (2006) *Capital Flight and Domestic Macroeconomic Policies. Evidence from Nigeria*. Department of Economics, Nsukka. Unpublished Ph.D Thesis
- Ajadi F.S (2008) *Econometric Analysis of Capital Flight in Developing Countries; A study of Nigeria*, Paper presented at the 8th Global Conference on business and Economy. Florence, Italy.
- Ajayi, S.I (1992) *An Economic Analysis Of Capital Flight From Nigeria* Working paper No. 993. World Bank, Washington, D.C.
- Ajayi, S.I (1995) *Capital Flight and External Debt In Nigeria*. Research paper 35, African Economics Research Consortium (AERC), Nairobi Kenya.

- Ajayi, S.I (1997) An Analysis Of External Debt And Capital Flight In The Severely Indebted Low Income Countries In Sub Saharan Africa, Working Paper No. 97/68. International Monetary fund. Washington D.C.
- Ajayi, S.I (2000). External Debt and Capital Flight in Sub-Saharan African. IMF Publication, International Journal of Development and Economic Sustainability Vol.6, No.4, pp. 11-28, September 2018___Published by European Centre for Research Training and Development UK (www.eajournals.org) 27 ISSN: 2053-2199 (Print), ISSN: 2053-2202(Online)
- Nnadozie, E. U. (2003). Does trade cause growth in Nigeria. Journal of African Finance and Economic Development, 6 (1), 66-81.
- Folorunso SA (2008). Econometric Analysis of Capital Flight in Developing Countries: A Study of Nigeria. 8th Global Conference on Business and Economics, October 18th–19th, Florence, Italy.
- Ekeocha, P. C., Ekeocha, C. S., Malaolu, V., & Oduh, M. O. (2012).
- Akhor, T. K. (2014). Impact of VAT on economic development of emerging Nations. *Journal of Economics and International Finance*, 3(3):2-13.
- Akhor, S.O. & Ekundayo, O.U. (2016). The impact of indirect tax revenue on economic growth: the Nigeria experience. *Igbinedion University Journal of Accounting* 2 :62-87
- Ogbonna, G., & Ebimobower, A. (2012). Impact of tax reforms on economic growth of Nigeria: A time series analysis. *Current Research Journal of Social Science*, 4 (1), 62-68.
- Emmanuel, C.U. (2013). The effects of value added tax on the economic growth in Nigeria. *Journal of Economics and Sustainable Development*, 4(6), 190-202
- Unegbu, A.O., & Irefin, D. (2011). Impact of VAT on economic development of emerging nations, Accounting Faculty, American University of Nigeria, Nigeria, Unpublished.
- Owolabi, S. A., & Okwu, A. T. (2011). Empirical evaluation of contribution of value added tax to development of Lagos state economy. *Middle Eastern Finance and Economics*, 5(3), 76 –94.

- Ogundele, E. A. (1999). Value added tax (vat.) theory and practice. 1st edn: Libriservice Ltd: Lagos.
- Worlu, C. N. and Nkoro, E. (2012). Tax revenue and economic development in Nigeria a macroeconomic approach. *Academic Journal of Interdisciplinary Studies*,1(2): 211-23.
- Ogbonna, G. & Ebimobowei, A. (2012). Impact of tax reforms and economic growth of Nigeria: A time series analysis. *Current Research Journal of Social Sciences*, 4(1), 62-68
- Akani, W.H (2013) Analysis of the effects of capital flight on Economic Growth: Evidence from Nigeria Economy *European Journal of Business and Management* Vol. 5 No. 17.
- Chigbu, E. E., Eze, A.L & Appah, E. (2012).An Empirical Study on the Causality between Economic Growth and Taxation in Nigeria. *Current Research Journal of Economic Theory*.
- Akani, B. (2015). An Econometric Approach to Short and Long Run Analysis of the Nigerian Economy,Capital Flight in Nigeria,*International Journal of Research in Humanities and social studies*.Vol 2, pp. 83-89.
- Ameth, S.N (2014)Capital Flight from the Franc Zone: Exploring the Impact of Economic Growth. AERC Research Paper 269,African Economic Research Consortium, Nairobi.
- Ayodele, T(2014)Capital Flight and the Nigerian Economy: An Empirical Reassessment, ISSN 2224-5758. Vol 4, No. 4Bakare, A.S (2011) The Determinants And Roles Of Capital Flight In The Growth Process Of Nigerian economy: Vector Autoregressive Model Approach. *British Journal of management and Economics*, 1(2): 100-13.
- Baker, R.W (2000) Illegal flight capital: Dangers for Global Stability. *International Politik*Juni2000,No.6
(<http://ciponline.org/finacialtons/interrationpolitik.doc>)
- Beja J. (2007) Capital Flight and Economic Performance.Growth Projection for Philippines,Munich Personal Repec.Archive, paper No. 4885.

Central Bank of Nigeria (2015). Statistical Bulletin. Claessens, S. and D. Naude (1993). Recent Estimates of Capital Flight, Policy Research Working Papers (1186). World Bank. Washington D.C. Cuddington, J. (1986). Capital flight Estimates Issues and Explanations, Princeton studies on International Finance No. 58.

Princeton, New Jersey. Dooley, M. (1986). Country-specific Risk Premiums. Capital Flight and Net Investment Income Payment in Selected Developing Countries. International Monetary Fund, Mimeo. Washington D.C. Egbulonu, K.G. (2005). Basic Econometrics Methods, Owerri, Peace Publishers.

Erbe, S. (1985). The Flight Of Capital From Developing Countries, *Inter-Economics*, 20(4), (November/December), 268-75. Haque, N. U., & Kim, S. (1995). "Human Capital Flight": Impact Of Migration on Income And Growth. *International Monetary Fund Staff Papers*, 42, 577-607.

Harrigan J., G. Mavrotas and Z. Yusop (2002) On the determinants Of Capital Flight: A New Approach. *Journal of the Pacific Economy*, 7(2): 203-41. <http://www.allafrica.com>, <http://www.ecno-gov.ng>. Hermes, N. and R. Lensink. (1992). The Magnitude and Determinants of Capital Flight. The Case for Six Sub-Saharan African Countries. *De Economist*, 6(2).

Hermes, N., Lensink, R. and Murinde, V. (2002). Flight Capital and its Reversal for Development Financing. Discussion paper No. 2002/99.

Kadochnikov (2005). Economic Impact of Capital Flight from Russia and its Institutional Context. Why Capital Control Cannot Be A Part Of Pro-Growth Policy. Working paper: International Centre for Social And Economic Research.

St Petersburg, Russia. Kosarev, A. and L. Gingoreyev (2000). Capital Flight Scale and National Bureau of Economic Analysis, Washington, D.C. February.

- Koutsoyiannis, A. (2003) *Theory of Econometrics* 2nd Edition, Palgrave Publishers Ltd, New York. Lessard, D.R. and J. Williamson. (1987). *Capital Flight and Third World Debt*, Institute of International Economics, Washington DC.
- Makochekanwa, A. (2001) *An Empirical Investigation of Capital Flight From Zimbabwe*. University Of Pretoria Working Paper 2007-11.
- Morgan G. (1986) *LDC Capital Flight*. World Financial Market. (2). Pp 13-16. Muula, A. S. (2005). Is There Any Solution To The “Brain Drain” of health Professionals and Knowledge From Africa? *Croatian Medical Journal*, 46, 21-29.
- Ngeno, N (2000) *Capital Flight in Kenya* in S.I and S.K Moshin (Eds): *External Debt and Capital Flight in Sub-Saharan African*. International monetary fund.
- Njimanted (2008). *Capital Flight Measurement and Economic Growth in Cameroon*. An Economic Investigation International Review of Business Research Paper, Vol. (4) pp. 74-90.
- Brautigam, D. (2008) *Capacity and Consent: taxation and state-building in developing countries*. Cambridge, Cambridge University Press.
- Adereti, S. A., Adesina, J.A. & Sanni, M. R. (2011). Value – Added Tax and Economic Growth in Nigeria. *European Journal of Humanities and Social Sciences*, 10(1).
- Ajakaiye, D. O. (2000). *Macroeconomic Effects of VAT in Nigeria: A Computable General Equilibrium Analysis*. Assessed from www.citesser.x.1stPSU.Edu/viewdoc/download on 4th July, 2011.
- Umoru D (2013). *Capital Flight and the Nigerian Economy*. *European J. Bus. Manag.* 5(4):40–45.
- Uguru LC (2011). *Impact of Capital Flight on Corporate Performance in Nigeria*. *Nig.J.Bus.* 5(1):83–92.
- Nlewedim, B.O. (2012) *Summary Notes on Research Principles, Methods and Report Writing*, Summary Series, Vol. 1, June, Umuahia: Consultants International.

Nyoni T. (2000)Capital Flight from Tanzania, in Ajayi, I and Moshin K.(Eds).External Debt and Capital Flight in Saharan Africa, International Monetary fund.

Okunubi, R. (2013, March 26). US DV Lottery: Why You May Be disqualified. Vanguard, p. 45.

Olatunji, O. and M.I Oloye (2015)Impacts of Capital Flight On Economic Growth In Nigeria. International Journal for Innovation,Education and Research vol. 3 No 8.

Olunloyo, O. (2013). Capital Flight And Brain Drain: Nigeria's Neo-colonial Slavery. Retrieved from <http://www.punch.com/Capital--and brain-drain>

Onwioduokit E. (2002) Capital Flight from Nigeria: An Empirical Re-Examination West African Monetary Institute Accra,Ghana.

OlugbengaAA, AlamuOA (2013). Does Capital Flight Have a Force to Bear on Nigerian Economic Growth? Int.J. Develop.Societies. Retrieved from <http://worldscholars.com/index.php/ijds/article/download/422/pdf>

Otene S. (2010)The Impact of Capital Flight on Economic Growth in Nigeria. Departm