

Correlation Between Tax Remittance Practices and Sustainable Economic Growth in Benue State, Nigeria

UMORU, Raphael Sunday¹

Email: umoruraphael@gmail.com

Telephone: 08065394068

ALAJE, Angwa Jonah¹

Email: jonahalaje@gmail.com

Telephone: 07063307088.

¹Wesley University, Ondo State, Nigeria

Abstract

This study examined the relationship between tax remittance practices and economic growth in Benue State, Nigeria, with emphasis on key fiscal indicators including total tax revenue, income tax revenue, sales tax revenue, and resource tax revenue. The study adopted a descriptive research design and relied primarily on secondary data obtained from the Benue State Internal Revenue Service, National Bureau of Statistics, the Office of the Accountant General of Benue State, and the United Nations Development Programme. The analytical framework was anchored on Compliance Theory of Taxation, Fiscal Social Contract Theory, and Benefit Theory of Taxation, which collectively explain taxpayer behaviour and state revenue performance. Findings indicated that improved tax remittance practices, reflected in enhanced PAYE remittance compliance, withholding tax remittance, and enforcement efficiency, were associated with increases in total tax revenue and its major components, particularly income tax and sales tax revenues, with corresponding positive effects on economic growth indicators. Resource tax revenue also exhibited a positive relationship with growth, although its contribution was relatively modest. Tax base coverage and remittance timeliness showed positive but statistically insignificant relationships with growth outcomes. The study concluded that effective tax remittance practices can strengthen revenue mobilisation and promote economic growth in Benue State when supported by appropriate institutional mechanisms. It recommended improved remittance monitoring systems, stricter enforcement measures, and taxpayer education programmes to enhance compliance and sustain fiscal performance.

Keywords: Taxation, Remittance Practices, Economic Growth, Benue State.

Introduction

The growth of the economic in the country is a fundamental objective of regional development because it enhances productivity, increases income levels, and improves the standard of living of the population. Benue State was not an exemption to this growth which is largely driven by agriculture, small and medium enterprises, and service-related activities. The state is widely recognized as one of Nigeria's major agricultural zones due to its production of staple crops such as yam, rice, maize, and soybeans. Despite these abundant natural and human resources, the level of economic growth in Benue State remains below its potential, with persistent poverty, unemployment, and low productivity posing significant challenges. Available data indicate that poverty incidence in the state is about 41.4 percent, with unemployment estimated at approximately 25.9 percent, suggesting structural constraints to sustainable economic growth (Ozuma et al., 2025). In recent years, the escalation of violence and insecurity has also posed significant challenges to effective tax administration and economic growth in Benue State, Nigeria. Persistent insecurity in many rural communities has disrupted economic activities, reduced business operations, and weakened the capacity of individuals and enterprises to meet their tax obligations. As economic productivity declines, government revenue from taxes is adversely affected, thereby limiting the resources available for public investment and development programmes. Nigeria's rural areas have increasingly experienced security challenges that undermine investor confidence and reduce the attractiveness of local economies to both domestic and foreign investors. The 2025 Global Terrorism Index ranked Nigeria sixth among the countries most affected by terrorism, highlighting the scale of insecurity confronting economic activities (Ozuma et al., 2025). Communities such as Guma, Logo, Ukum, Agatu, and Apa in Benue State have experienced recurrent conflicts and violence, which



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have disrupted agricultural production and commercial activities, thereby reducing taxable income and revenue generation of the State (Oni & Ibitoye, 2022; Duru, 2024). Consequently, there are persistence insecurity in the State which has important implications for tax remittance practices and sustainable economic growth in Benue State. Ahmodu and Ezeani (2023) defined tax remittance as the prompt and accurate transfer of collected tax revenues to the appropriate government authorities, represents a critical component of sustainable fiscal administration and economic growth in Benue State, Nigeria. The effectiveness of the tax system depends not only on the formulation of sound tax policies but also on the efficiency with which collected revenues are remitted into government accounts for developmental purposes. A clear distinction exists between tax collection and tax remittance: while tax collection involves the assessment and receipt of taxes from taxpayers, tax remittance concerns the proper transfer of such revenues to the designated public treasury. Weaknesses at the remittance stage arising from administrative lapses, delays, or diversion of funds which significantly reduce the financial resources available for infrastructure development, social services, and economic programmes necessary for sustainable growth in Benue State. Ineffective remittance practices therefore limit the capacity of government to translate tax revenues into tangible developmental outcomes and weaken the role of taxation as a tool for sustainable economic development (Ndulu et al., 2021). Benue State's revenue structure depends largely on federal allocations, while internally generated revenue remains limited. Within internally generated revenue, Personal Income Tax through Pay- As-You-Earn and Withholding Tax represent the major sources, making efficient tax remittance essential for fiscal sustainability (BIRS, 2023). The effectiveness of revenue mobilisation depends not only on tax policies but also on compliance by employers, tax agents, and administrators, as consistent remittance determines the state's capacity to finance development (Nzontta, 2007). The state's aspiration to become one of Nigeria's leading economies by 2030 requires substantial infrastructure investment supported by a reliable tax system (Chigbu et al., 2012). However, tax remittance performance has been constrained by employer non-compliance, weak enforcement capacity, a large informal sector, and limited taxpayer awareness. These challenges have created a gap between expected and actual revenue, making it necessary to examine tax remittance practices and their implications for sustainable economic growth in Benue State.

Statement of the Problem

The government of Benue State continues to experience a persistent disparity between its potential revenue capacity and the fiscal resources actually realised. This shortfall is attributable not only to structural limitations in the tax system but also to inefficiencies in tax remittance practices affecting key revenue components, including total tax revenue, sales tax revenue, income tax revenue, and resource tax revenue. Weak compliance in the remittance process has reduced the volume of revenue available for developmental purposes despite the existence of established tax policies and statutory obligations. Scholarly evidence indicates that failures in tax remittance constitute a major source of revenue leakage for sub-national governments. Appah (2014) observed that non-remittance of Pay-As-You-Earn deductions by employers represents one of the most persistent constraints on state revenue mobilisation, while Soyode and Kajola (2006) noted that deductions made from employees' earnings are often withheld rather than transferred to the appropriate authorities. Such practices undermine income tax revenue and weaken the overall tax structure. In addition, weak institutional capacity and enforcement limitations have constrained effective monitoring of tax remittances across different tax categories, including sales and resource-based revenues. Despite the importance of tax remittance efficiency in strengthening total tax revenue and supporting economic development, empirical studies at the sub-national level remain limited. Existing research has largely examined the broader relationship between tax revenue and economic growth (Worlu & Emeka, 2012; Adegbe & Fakile, 2011), with relatively little attention given to the specific role of remittance practices. Consequently, the central concern of this study is to determine the extent to which tax remittance practices relating to total tax revenue, sales tax revenue, income tax revenue, and resource tax revenue influence economic growth in Benue State, and to identify institutional and policy measures required to improve remittance compliance and fiscal performance.

Research Objectives

The main objective of this study was to examined tax remittance practices and sustainable economic growth in Benue State, Nigeria. Specifically, the study were to:



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- i. Assess the extent to which PAYE remittance compliance influences sustainable economic growth in Benue State;
- ii. investigate the relationship between withholding tax remittance and sustainable economic growth in Benue State;
- iii. examine the combine effect of tax base coverage, remittance timeliness, and remittance enforcement efficiency impact economic growth in Benue State.

Research Questions

In line with the statement of the problem, the study provides answered to the following questions:

- i. To what extent does PAYE remittance compliance influence sustainable economic growth in Benue State?
- ii. What is the relationship between withholding tax remittance and sustainable economic growth in Benue State?
- iii. How do tax base coverage, remittance timeliness, and remittance enforcement efficiency impact sustainable economic growth in Benue State?

Literature Review

Conceptual Review

Tax Remittance

Tax remittance refers to the process by which taxes assessed and collected from taxpayers, or deducted at source, are formally transmitted to the designated revenue authority within the time frame prescribed by applicable tax legislation. Ogundele (2009) described tax remittance as the institutional bridge between the collection of revenue and its availability for public use, emphasising that failure to remit collected taxes in a timely manner effectively denies the state access to resources it has already earned. Appah (2014) argued that the effectiveness of any tax system cannot be assessed solely by reference to its legislative design; the integrity of the remittance process is the ultimate test of whether the system generates real fiscal resources. Under the PAYE system, employers are required to deduct income tax from employees' salaries and remit the deducted amounts to the relevant state revenue authority by the tenth day of the following month. For withholding tax, the obligation falls on the party making payment for specified goods and services. Failure to comply attracts penalties, though enforcement has historically been inconsistent in the Nigerian context (Fagbemi et al., 2010).

Tax Compliance and Non-Remittance

Tax compliance encompasses the accurate reporting of taxable income, timely payment of assessed liabilities, and prompt remittance of withheld taxes. Non-remittance is a particularly egregious form of non-compliance because it involves the withholding of funds already deducted, meaning revenue loss occurs even where collection has nominally succeeded. The contributing factors including lack of awareness of remittance deadlines, complexity of remittance procedures, limited enforcement, and a culture of impunity. Adeyeye (2014) argued that systemic non-remittance is self-reinforcing: when employers perceive that non-remittance rarely results in enforcement action, the incentive to remit is significantly weakened.

Sustainable Economic Growth

Economic growth is a sustained, multi-dimensional process aimed at improving economic, social, and institutional well-being). The Human Development Index (HDI), developed by the UNDP, provides a composite measure incorporating health, education, and standard-of-living dimensions, and is therefore a more appropriate indicator for assessing the developmental impact of tax remittance practices than GDP alone (Dackehag & Hansson, 2015). Nigeria's HDI stood at 0.504 in 2014, ranking it 152nd out of 187 countries, highlighting the considerable developmental potential that remains to be unlocked through improved fiscal management (UNDP, 2014).

Theoretical Review

Compliance Theory

The Compliance Theory of Taxation was developed by Fischer in 1992. The theory posited that taxpayer compliance is determined by the probability of detection, severity of penalties, tax morale, and system fairness. In the remittance context, the theory predicts higher compliance when employers perceive a credible risk of penalty and when social norms support compliance behaviour. This framework provides the basis for the study's emphasis on enforcement and institutional dimensions of remittance reform.

Fiscal Social Contract Theory

The Fiscal Social Contract Theory (Brautigam, 2008) conceptualises the tax-government relationship as a



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Remittance; TBC = Tax Base Coverage; RT = Remittance Timeliness; REE = Remittance Enforcement Efficiency; β_0 = intercept; β_{1-5} = coefficients; μ = Stochastic error term.

Presentation of Results

Descriptive Statistics

Table 1: Descriptive Statistics of Respondents

	N	Mean	Std. Dev.	Skewness	Std. Err	Kurtosis	Std. Err
Economic Growth	168	2.31	.862	-.148	.187	-.871	.373
PAYE Remittance	168	2.41	.917	.113	.187	-.761	.373
WHT Remittance	168	2.25	.843	.024	.187	.817	.373
Tax Base Coverage	168	2.18	.891	.174	.187	-.924	.373
Remittance Timeliness	168	2.14	.856	.009	.187	-1.163	.373
Remittance Enforcement Eff.	168	2.27	.958	.261	.187	-.849	.373

Source: Author's Computation / Field Survey (2024)

Table 1 shows the descriptive statistics for all variables. The mean and standard deviation values are: Economic Growth (2.31, .862); PAYE Remittance (2.41, .917); WHT Remittance (2.25, .843); Tax Base Coverage (2.18, .891); Remittance Timeliness (2.14, .856) and Remittance Enforcement Efficiency (2.27, .958). Skewness < 2 and Kurtosis < 7 indicate acceptable normality. Kurtosis values are mixed: some negative, one positive; however all within acceptable normality range indicating the distribution of variables is not symmetrical.

Regression Analysis

Table 2: Model Summary

Model	R	R Square	Adj. R Square	F Change	Sig. F Change	Durbin-Watson
1	.463a	.214	.188	8.971	0.000	1.643

a. Predictors: (Constant), PAYE Remittance, WHT Remittance, Tax Base Coverage, Remittance Timeliness, Remittance Enforcement Efficiency

b. Dependent Variable: Economic Growth Source: Author's Computation / Field Survey (2024)

Table 2 presents the model summary statistics. The linear correlation coefficient (R = 46.3%) indicates a positive and moderate relationship between the predictor variables and economic growth. R² is 21.4%, adjusted R² is 18.8%, and the F-statistic is 8.971 with p-value = 0.000 < 0.05. The Durbin-Watson value of 1.643 falls within the acceptable range, confirming the absence of serial autocorrelation. The, 21.4% of variation in economic growth is accounted for by the five tax remittance variables, and their combined influence is positive and statistically significant.

Table 3: Coefficients of Predictor Variables

Model	Unstd. B	Std. Error	Std. Beta	t	sig	Tolerance	VIF
(Constant)	1.082	.284		3.80	.000		
PAYE Remittance	.214	.082	.211	2.610	.010	.89	1.221
WHT Remittance	.237	.088	.229	2.693	.008	.774	1.292
Tax Base Coverage	-.063	.079	-.065	-.797	.427	.831	1.204
Remittance Timeliness	.021		0.81	.020	.796	.828	1.208
Remittance Enforcement Eff.	.231	.079	.257	2.924	.004	.772	1.296

Table 3 presents the individual coefficients of each predictor variable. PAYE Remittance (t = 2.610, p = 0.010 < 0.05), WHT Remittance (t = 2.693, p = 0.008 < 0.05), and Remittance Enforcement Efficiency (t = 2.924, p = 0.004 < 0.05) had significant positive effects, while Tax Base Coverage (t = -.797, p = 0.427 > 0.05) and Remittance Timeliness (t = .259, p = 0.796 > 0.05) were positive but insignificant. The collinearity statistics (Tolerance and VIF) confirm no multicollinearity among predictors. The estimated regression equation is:

$$SEG = 1.082 + 0.214(PAYE) + 0.237(WHT) - 0.063(TBC) + 0.021(RT) + 0.231(REE) + \mu \dots \dots (Eqn. 3)$$



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Discussion of Findings

The study empirically investigated the effect of tax remittance practices on economic growth in Benue State using five components of fiscal compliance. Findings showed that PAYE Remittance, WHT Remittance, and Remittance Enforcement Efficiency had significant and positive effects, while Tax Base Coverage and Remittance Timeliness, though positive, were not statistically significant. The significant positive effect of PAYE Remittance aligns with Adegbe and Fakile (2011), who confirmed a positive association between PAYE revenue and economic development. The significance of Remittance Enforcement Efficiency supports the Compliance Theory (Fischer et al., 1992), which predicts that the credible risk of penalty is a primary driver of compliance behaviour. The insignificant result for Tax Base Coverage reflects the persistent structural barriers constraining the fiscal contribution of the informal sector in Nigerian state economies (Olusanya et al., 2012). The regression findings corroborate Worlu and Emeka (2012), who demonstrated that the primary channel through which tax revenue impacts economic growth is infrastructural development, itself contingent on the volume of remittances flowing to the state treasury. The overall model ($F = 8.971$, $p = 0.000$) confirms that tax remittance practices, taken together, constitute a significant explanatory framework for economic growth in Benue State.

Conclusion

This study examined tax remittance practices and their implications for economic growth in Benue State, Nigeria, anchored on the Compliance Theory of Taxation, the Fiscal Social Contract Theory, the Benefit Theory, and the Ability to Pay Theory. The findings indicate that tax remittance practices exert a significant and positive influence on economic growth in Benue State. PAYE Remittance Compliance, Withholding Tax Remittance, and Remittance Enforcement Efficiency were found to be statistically significant predictors of economic growth, while Tax Base Coverage and Remittance Timeliness, though positive, were not significant at the 0.05 level. The null hypotheses H_{01} , H_{02} , and H_{05} are therefore rejected, while H_{03} and H_{04} are accepted on the basis of the evidence. It is concluded that tax remittance compliance does exert significant and positive effects on economic growth in Benue State; however, these effects are critically conditioned by the strength of enforcement mechanisms and the efficiency of remittance processes.

Recommendations

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

1. The Benue State government should invest in the technological modernisation of the BIRS remittance tracking to improve electronic remittance management system.
2. The state government should enforce penalties for PAYE and withholding tax remittance defaulters.
3. Management should specifically strengthen Tax Base Coverage and Remittance Timeliness by implementing a comprehensive taxpayer identification programme.

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