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CUSTOM AND EXCISE DUTIES AND ECONOMIC DEVELOPMENT IN NIGERIA

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ABSTRACT
This paper examined the influence of custom and excise duty taxes on economic development in Nigeria. An ex-post facto research design was used, and secondary data were collected from the Central Bank of Nigeria statistical bulletin and the Federal Inland Revenue Service website. Custom and excise duty is the independent variable, while economic development is the dependent variable, which was measured by means of human capital development and gross domestic product. Data obtained for the investigation was evaluated via time-series properties and findings revealed that custom and excise duty tax has an insignificant influence on gross domestic product and human development index in Nigeria. Based on this finding, the study suggests that a major issue that should be addressed is the leakages and loopholes in the system that create room for importers to pay less or even more than the required customs and excise duty and thus there is a need for more transparency in the activities of the customs service. Another consideration is that the custom and excise duty must not be such that it serves as a disincentive for export and import trade and this is even more critical because the mark-up on prices of tradables is passed on to the final consumer and this thus increases the tax burden for Nigerians.

Keywords: Custom and excise duties, Gross domestic product, Human capital development, Taxes

INTRODUCTION
Experts have maintained and correctly too that tax revenue alone does not stimulate economic growth except when it is translated to expenditure by government. According to Okafor (Apere & Durojaive, 2016) public expenditure could be seen as expenses which the public sector incurs for its maintenance, for the benefit of the economy, external bodies, and for other countries. Oziengbe (2013) posited that government or public expenditure refers to expenses incurred by the government for the maintenance of itself and provision of public goods, services and works needed to foster or promote economic growth and improve the welfare of people in the society.

Oni & Akinsanye (2014) defined public expenditure as those expenses which government incurs for the maintenance of itself and the society in general. Public expenditure can be classified into recurrent and capital expenditures for government budgeting purposes (Apere & Durojaive, 2016). There could also be further subdivision of class according to functions or sectors such as administration, economic services, social services and transfers. The classification under administration is made up of general administration, defense and internal security. Economic services comprise of agriculture, constructions, transport and communication. Social services include education, health, housing and others. The items classified under transfers are public debt charges, non-statutory appropriation, grants and subventions(Apere.& Durojaive, 2016).

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Governments at all levels in Nigeria have in the last four decades depended heavily on revenue and taxes from petroleum industry to the detriment of revenue and taxes from non-oil sectors which experts view as volatile, non-sustainable and inimical to full growth potentials. In the light of the foregoing, major research concern became evident, is there a nexus between non-oil tax revenue and economic development and what could be the extent of contribution of non-oil taxes to sustainable economic development in Nigeria? To have an insight into the research are some empirical works. For example, Jones & Rhoades (2015) provide empirical evidence of the long and short run equilibrium relationship between total revenue and economic growth in Nigeria. Time series secondary data of between 1986 and 2012 were collected from Central Bank of Nigeria (CBN) and National Bureau of Statistic (NBS). The findings showed that total revenue has a long and short run equilibrium relationship with economic growth in Nigeria.

Inyiama and Ubesie (2016) investigated the effect of value added tax, customs and excise duties on Nigeria's economic growth. These studies failed to consider the contributions of personal income tax alongside others towards a sustainable economic growth and did not also incorporate the effects of the 2010 GDP rebasing exercise on economic growth in Nigeria. Thus, this research fills the existing knowledge gap as it considered the average achievement in key dimension of gross domestic product and human development index as the proxies of economic development while customs and excise duties represent the non-oil tax revenue. Hence, this study examined the extent of inter-relationship between the proxy of non-oil tax revenue and economic development in Nigeria with time series analysis spanning thirty years from 1993 to 2022.

Objective

The study sought to examine if customs and excise duties have any significant effect on economic development in Nigeria.

LITERATURE REVIEW

Custom and Excise Duties Tax

Tax gives rise to taxation which is a system of charging and collecting the taxes by relevant tax authorities in accordance with established criteria, standards and statutes. Anayfor (1996) asserted that the basic distinction between taxes and other forms of government revenue is the compulsory element involved; the payer has no choice in the matter if eligible for payment on the basis of pre-determined standard. Ayeni,Ibrahim & Adeyemi (2017) opined that taxation is an instrument employed by the government for generating public funds. It is a required payment imposed by the government on the income, profit or wealth of individuals, group of persons and corporate organizations which involves the application of tax rate to a tax rate base (Ofoegbu, Akwe & Oliver, 2016).

According to Okafor (2012) a well-designed tax system can help government in developing countries prioritize their spending, build stable institutions and improve democratic accountability. The main purpose of a tax is to enable public sector finance its activities so as to achieve social and economic goals. It can also be for the purpose of redistributing of wealth (Ayuba, 2014). Customs duties in Nigeria are the oldest form of modern taxation. Their introduction dates back to 1860 known as import duties, which represents taxes on imports into Nigeria, they are charged either as a percentage of the value of imports or as a fixed amount of contingent on quantity.

Customs duties were as high as 300% but currently range between 2 to 75%. The customs and excise management act of 1958 and its amendments provided the statutory backing of the implementation of the tax. Decree No.14 of January 11 1986 abolished the board of the customs

and excise, and the service was removed from the federal ministry of finance to internal affairs ministry to be managed by the customs immigration and prisons service board. The department of the customs and excise was transferred back to the Federal Ministry of finance in 1998.
Customs duty is a major source of revenue for the Federal Government which is payable by importers of specified goods. Customs, excise, tariff (consolidated)Act 1995 states that where in any heading or in any harmonized system code, of the first scheduled to this act, a rate of duty payable shall be the amount of the rate shown in the customs duty rate for the year or years in the goods concerned one imported into Nigeria, and on the importation into Nigeria of goods classified in the heading or its code. There shall, subject to the provisions of section 4 of the Act changed an import duty at the rate shown in the customs duty rate column.

Excise duties introduced in Nigeria in1962 are advalorem tax on the output of manufactured goods and enforced by customs and excise Act of 1962 and 1965 and Customs and Excise Tariff Decree of 1995 (Ekeocha, Malaolu & Oduh, 2012). Excise duties are commodity taxes on locally produced goods within a country. This form of commodity taxes is not only levied for its public revenue potentials but also to control the consumption of certain goods. When excise duties are levied on ordinary manufactured goods, it is to raise revenue but when levied on commodities like alcoholic beverages, tobacco, gambling etc, the aim is to discourage consumption.

Excise duty is a tax on the goods exported to other countries, while import duty is a tax on the goods coming into a country from other countries. Uwakaeme (2015) argues that taxes are imposed to regulate the production and consumption of certain goods and services, protection of infant industries, control business and commerce, curb inflation, reduce income inequalities etc. However, increased taxation on imported goods and services have affected the level of such goods and services that industrialist within the country are encouraged to produce (Nnadozie, 2003). Due to high import duty on dairy products, textiles, materials, food, drinks etc, our economic potential are encouraged through industrial investment locally and the multiplier effect on employment and national growth.

Economic Development
In many economies, however, experience has shown that in spite of impressive economic growth data, the masses of the people remain illiterate and absolutely poor, most of them openly unemployed and severely discriminated against in the distribution of income, social status and political power (Egbon, 2017). In other words, economic growth tends to constitute itself into another factor of underdevelopment.

To Seers (1969), economic development can be seen as a complex multi-dimensional concept involving improvements in human well-being. Seers main thesis is that development is about outcomes. Development occurs with the reduction and elimination of poverty, inequality and unemployment within a growing economy. In other words, development should lead to improvement in society, it should bring about a higher standard of living and create better comfort for the greater majority. According to Seers (1969), Development is inevitably a normative term and we must ask ourselves what are the necessary conditions for its universal aim – the realization of the human personality. If we ask ourselves what is an absolute necessity? One answer is obvious – enough food.

Ekpo (2015) has added water, education, health and energy to these basic necessities as defining characteristics of development. The focus here is economic growth with redistribution, also referred to as inclusive growth. Development is about people. It is people that would define what gives them

comfort, what raises their welfare or create the kind of environment they would define as development. Development is created or enhanced by people. So the higher the ability of the people to create the environment defined as development, the more likely it is to be achieved.

Also, development may be conceived of as a physical reality or as a mental frame of mind with respect to processes through which a nation achieves economic, social, political and institutional advancement leading to better lives and greater opportunities. Development should: lead to greater access of citizens to basic necessities of life, including: electricity, education, food, health, housing, and security, among others. Enhance the overall welfare of the citizenry by creating better opportunities for higher incomes, capabilities and self-esteem, and free mindset of people and enhance social and economic opportunities which will make people self-actualized and less dependent on others, because they have some mastery of the environment. In summary therefore, it is right to define development as a qualitative and quantitative rise in human welfare occasioned by the rise in human capacity and output of the generality in an economy.

Theoretical Review

The study was centred on the endogenous growth model (Ak). The Ak models production function is a special case of a Cobb-Douglas Production Function. This equation shows a Cobb-Douglas function where Y represents the total production in an economy. A represents total factor of production, J is capital, L is labor, and the parameter measures the output elasticity of capital. For the special case in which, the production function becomes linear in capital thereby giving constant returns to scale. Often Endogenous growth theory assumes constant marginal product of capital at the aggregate level, or at least that the limit of the marginal product of capital does not tend towards zero. This does not imply that larger firms will be more productive than small ones, because at the firm level the marginal product of capital is still diminishing.

Consequently, it is possible to construct endogenous growth models with perfect competition. However, in many endogenous growth models the assumption of perfect competition is relaxed, and some degree of monopoly power is thought to exist. Generally monopoly power in these models comes from the holding of patents. The R&D sector develops ideas that they are granted a monopoly power. R&D firms are assumed to be able to make monopoly profits selling ideas to production firms, but the free entry condition means that these profits are dissipated on R&D spending. Zeng, Li & Li (2013) extended the endogenous growth model to incorporate the government sector. He defines production as consisting of private and public services, with the latter financed by the flat-rate income tax.

Barro's model predicts that government expenditure and taxation both have temporary and permanent effects on growth (Enyinda & Chinda, 2020). Unlike the neoclassical Solow's 1956 growth model, which suggests that distortionary taxation may not affect growth rate in the long run. Barro's 1990 model predicts that distortionary taxation and productive expenditure affect the long-run growth rate. Thus, endogenous growth models provide a useful framework for examining the effect of taxation on long-run economic growth. According to Edori, Edori & Idatoru (2017), endogenous growth model implies that any tax policy that distorts the incentives to accumulate both physical and human capital, will have a deleterious effect on long-term growth rate. Thus, it is expected that both personal and company income taxes have adverse effects on growth (Edori, et al 2017).

Empirical Review

Omodero and Dandago (2019) examined the effect of tax revenue on public service delivery in Nigeria. The study aimed to determine how revenue generated from taxation influenced the

provision of education and healthcare services in Nigeria from 1981 to 2017. It adopted an ex post facto research design and used annual secondary data obtained from recognised government publications. The data were analysed using the ordinary least squares regression technique. The findings showed that tax revenue had a positive and statistically significant effect on government expenditure on education and healthcare services. The study concluded that effective tax revenue mobilisation improves public service delivery and contributes to human development in Nigeria. The study recommended that the government should develop all available tax revenue sources, reduce revenue leakages and direct collected revenue towards education, healthcare, skills acquisition and entrepreneurship development.

Omodero (2020) investigated the effects of corruption and informal-sector activities on tax revenue generation in Nigeria. The study aimed to establish whether corruption and the size of the informal economy affected the government's capacity to mobilise tax revenue in Nigeria between 2000 and 2018. The study adopted a quasi-experimental research design and used secondary time-series data obtained from the Central Bank of Nigeria, the International Monetary Fund and Transparency International. The data were analysed using multiple regression based on the ordinary least squares technique. The findings revealed that corruption had a negative and statistically significant effect on tax revenue, while the informal economy had no statistically significant effect. The study concluded that corruption constituted a greater threat to tax revenue generation in Nigeria than the size of the informal sector. The study recommended strengthening anti-corruption institutions, imposing severe penalties on corrupt officials and formalising legitimate informal-sector activities to expand the country's tax base.

Onatuyeh and Ukolobi (2020) examined the relationships among tax aggressiveness, corporate governance mechanisms and audit fees among listed companies in Nigeria. The study aimed to determine whether corporate tax aggressiveness, board independence, audit committee diligence and board gender diversity influenced the audit fees paid by firms listed on the Nigerian Stock Exchange. It adopted an ex post facto research design and used annual financial statements from 107 listed firms covering 2009 to 2018. The data were analysed using panel regression, while the Hausman specification test supported the random-effects model. The findings showed that the cash effective tax rate, audit committee diligence and board independence had positive and statistically significant effects on audit fees, while board gender diversity had a positive but insignificant effect. The study concluded that tax aggressiveness and corporate governance structures influence audit pricing and financial oversight among Nigerian listed firms. The study recommended stronger board independence, diligent audit committees and greater female representation on corporate boards to improve tax accountability and financial reporting quality.

Bala et al. (2021) examined the problems associated with personal income-tax collection and revenue generation in Gombe State, Nigeria. The study aimed to identify the administrative, technological and taxpayer-related factors limiting personal income-tax revenue in the state. A survey research design was adopted and primary and secondary data was collected from employees of the Gombe State Board of Internal Revenue and taxpayers. A purposive sampling technique was used to select 150 respondents, while the hypotheses were tested using chi-square statistics. The findings revealed that tax avoidance, tax evasion and the absence of adequate information technology systems were major problems affecting revenue generation in Gombe State. The researchers concluded that weak enforcement and inadequate technological infrastructure reduced the effectiveness of personal income-tax administration. The study recommended strict sanctions against tax evaders and the introduction of information technology systems for taxpayer registration, assessment, payment and monitoring.

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Ogungbade et al. (2021) investigated the relationships among tax awareness, taxpayers' perceptions, taxpayers' attitudes and tax evasion in the informal sector of Ekiti State, Nigeria. The study aimed to determine whether tax awareness and perceptions of government expenditure influenced tax evasion among informal business operators in Ado-Ekiti. The study adopted a survey research design and distributed structured questionnaires to 150 purposively selected unregistered business owners. Of the questionnaires returned, 100 were suitable for analysis using descriptive statistics and multiple ordinary least squares regression. The findings showed that tax awareness significantly reduced tax evasion, while taxpayers' perceptions of government expenditure had no significant effect. Taxpayer attitude also significantly moderated the relationship between tax awareness and tax evasion. The study concluded that improved tax awareness and positive taxpayer attitudes promote voluntary tax compliance in the informal sector. The study recommended sustained taxpayer education and further studies covering informal businesses in other local government areas and states in Nigeria.

MATERIALS AND METHODS

This research employs ex-post facto design given that the study was centred on already existed variables with absence of variables manipulation. The study population comprised the Nigerian economy on non-oil tax revenue (custom and excise duties tax revenue), human capital development, and gross domestic product. The study sample consist a timeframe of 30years ranging from 1993 to 2022 periods.

Secondary data were collected from the Central Bank of Nigeria statistical bulletin on human capital development index and gross domestic product while custom and excise duties tax was obtained from the Federal Inland Revenue Service official website. Customs and excise duty is the tax levied on imports, exports, and locally manufactured goods by the customs authorities of a country to raise revenue for the government. The dependent variables are gross domestic product and human capital development index while the independent variable is excise and custom duty. Given the dependent and independent variables of the study, the following empirical models were formulated:
GDP = f (CED)
HDI = f (CED)

$GDP_t = \beta_o + \beta_1 CED_t + \mu_t$
$HDI_t = \beta_o + \beta_1 CED_t + \mu_t$

Where: f represents model function; β represents beta coefficient; β_o represents interception of model; β_1 represents c-efficient of model; GDP represents gross domestic product; HDI represents human development index; CED represents customs/excise duty and μ_t represents error term of model. Data collected were analyzed via descriptive and inferential statistical tools. In addition, unit root, co-integration, error correction model, and granger causality tests were performed.

RESULTS

Table 1: Descriptive Statistics

	CED	GDP	HDI
Mean	462276.3	51419544.9	0.0907
Skewness	0.4270	0.4270	0.4270
Kurtosis	0.6600	-0.4120	0.5120
Minimum	6901.2	1099201.5	0.2400
Maximum	1628348.0	145090261.0	0.5630

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Observation	30	30	30

Source: Computed via SPSS, 2025

The descriptive statistics revealed that custom and excise duties (CED) revenue has a mean value of 462276.3 with maximum and minimum values of 1628348 and 6901.2 respectively. The series is positively skewed and very moderate. GDP has a mean value of 51419544.9 with maximum and minimum values of 145090261 and 1099201 respectively while HDI has a mean value of 0.0907 and with maximum of 0.563 and minimum of 0.24

Table 2: Pearson Correlation

		LCED	LGDP	LHDI
CED	Pearson Correlation	1	.964**	.809**
	Sig. (2-tailed)		.000	.000
	N	30	30	30
GDP	Pearson Correlation	.964**	1	.768**
	Sig. (2-tailed)	.000		.000
	N	30	30	30
HDI	Pearson Correlation	.809**	.768**	1
	Sig. (2-tailed)	.000	.000	
	N	30	30	30

**. Correlation is significant at the 0.01 level (2-tailed).
Source: Computed via SPSS, 2025

Table 2 shows a high correlation coefficients among variables suggesting that there is a positive link among the variables. Also, the coefficients revealed significant relationship as shown in their values (0.000) which are lower than 5% significant level.

Table 3: Regression Result for GDP

Variable	Coefficient	Std. Error	t-Statistic	Prob.
NLCED	1.175308	1.26E-07	6.426821	0.0076
C	2.920241	1.237011	2.360723	0.0459
R-squared	0.719880	Mean dependent var		2.476000
Adjusted R-squared	0.502635	S.D. dependent var		1.687445
S.E. of regression	1.771926	Akaike info criterion		4.158868
Sum squared resid	25.11777	Schwarz criterion		4.219385
Log likelihood	-18.79434	Hannan-Quinn criter.		4.092481
F-statistic	0.162264	Durbin-Watson stat		2.297691
Prob(F-statistic)	0.000030			

Source: Computed via SPSS, 2025

The static regression result in Table 3 showed that gross domestic product (GDP) is positively related to customs and excise duties (CED) given the positive signs of the coefficients. The results imply

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that increase in the value of CED as non-oil tax revenue will result in decrease of return on assets by approximately 1.1735208 units. It was observed that GDP is positively related to CED as shown by the signs of the coefficients. The meaning of the positive relationships between CED and GDP is the increase in gross domestic product by approximately 0.695208 units.

The t-statistic further revealed that CED is not statistically significant in affecting GDP in Nigeria since their t-statistic values are lower than the critical value at 0.05% level of significance. The coefficient of determination also shows the explanatory power of the model. The value of the adjusted R^2 = 0.71998 indicates that approximately 71.9 percent change in gross domestic product is jointly explained by changes in the explanatory variables while the remaining 29.1 percent change in gross domestic product is explained by variables not included in the model which are accounted for by the random term. The Durbin Watson statistic indicates the absence of serial correlation as the value approximates to 2.

Table 4: Regression Result for HDI

Variable	Coefficient	Std. Error	t-Statistic	Prob.
NLCED	0.243905	5.80E-06	0.871350	0.0311
C	0.976196	2.505923	0.006719	0.1512
R-squared	0.760089	Mean dependent var		2.476000
Adjusted R-squared	0.752600	S.D. dependent var		1.687445
S.E. of regression	1.315126	Akaike info criterion		3.562598
Sum squared resid	13.83644	Schwarz criterion		3.623115
Log likelihood	-15.81299	Hannan-Quinn criter.		3.496211
F-statistic	6.817243	Durbin-Watson stat		2.253515
Prob(F-statistic)	0.000003			

Source: Computed via SPSS, 2025

The static regression result in Table 4 showed that human development index (HDI) is positively related to customs and excise duties (CED) given the positive signs of the coefficients. The results imply that increase in the use of CED as non-oil tax revenue will result in decrease of human development index by approximately 0.243905 units. The t-statistic further revealed that CED are not statistically significant in affecting HDI in Nigeria since their t-statistic values are lower than the critical value at 0.05% level of significance.

The coefficient of determination also shows the explanatory power of the model. The value of the adjusted R^2 = 0.760089 indicates that approximately 76 percent change in human development index is jointly explained by changes in the explanatory variables while the remaining 24 percent change in human development index is explained by variables not included in the model which are accounted for by the random term. The Durbin Watson statistic indicates the absence of serial correlation as the value approximates to 2.

Table 5: ADF Unit Root Results

	Test Statistics	**95% Critical Value**	**Remark**
GDP	1.7881	2.96	Non-stationary
HDI	1.7881	,,	Non-stationary

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CED	2.3891	‘’	‘stationary
Unit root test at 1st difference: Intercept and Trend			
	ADF-Test Statistic	95% Critical ADF Value	Remark
GDP	3.1688	2.96	Stationary
HDI	3.829		
CED	7.4777	‘’	‘’

Source: Computed via SPSS, 2025

The ADF test result indicates that all of the variables have ADF values that are less than the 95% critical ADF value of 2.96. The implication of this is that the time series for these variables are stationary in their levels.

Table 6: Co-integration Test (Trace Statistics)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.989414	301.9807	125.6154	0.0000
At most 1 *	0.964616	197.3720	95.75366	0.0000
At most 2 *	0.877951	120.5175	69.81889	0.0000
At most 3	0.708839	72.14095	47.85613	0.0001

* denotes rejection of the hypothesis at the 0.05 level
**MacKinnon-Haug-Michelis (1999) p-values

Source: Computed via SPSS, 2025

The Johansen approach determines the number of co-integrated vectors for any given number of non-stationary variables of the same order. The study utilizes the Johansen co-integration methodology in conducting the co-integrating properties of the data. The results reject the null hypothesis that there is no co-integrated vector and hence the variables are co-integrated. With this result, we proceed to specify the long run equation.

Table 7: Grander Causality Result

Null Hypothesis:	F-Statistic	Prob.
HDI does not Granger Cause CED	3.86967	0.04*
CED does not Granger Cause HDI	0.05309	0.9484
GDP does not Granger Cause CED	0.86504	0.4378
CED does not Granger Cause GDP	0.06928	0.9333

Source: Computed via SPSS, 2025

The result in Table 7 revealed causality from HDI to CED and also from CED to GDP and all significant at 5% level.

Table 8: ECM Results for Human Development Index

	Aprori Sign	Coefficient ( ) standard Error [ ] t-values	Coefficient ( ) standard Error [ ] t-values

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CED	+dike	0.24398 (0.2800) [0.87134]	0.1114 (0.0993) [1.1214]

Source: Computed via SPSS, 2025

The error correction model (ECM) results revealed CED has a positive (0.2439) though not statistically significant (t=0.87134) effect on human development index in Nigeria at 5% level. The impact of CED on human development index is negative (-3.4725) and statistically significant (t=6.3899) effect on human development index in Nigeria at 5% level. Specifically, the result implies that a 10% increase in CED revenue results in a decrease of about 34.7% in human development index. The short run estimates show quite weak and insignificant results indicating that the relationship between non-oil tax revenue and human development index is strong only in the long-run.

Table 9: ECM Result for Gross Domestic Product

	Aprori sign	**Coefficient ( ) standard Error [ ] t-values**	**Coefficient ( ) standard Error [ ] t-values**
Log(CED)	+	1.1737 (0.1826) [6.4266]	1.16229 (0.16268) [7.14458]

Source: Computed via SPSS, 2025

The error correction model (ECM) results revealed a structural coefficient and relationship between CED and gross domestic product. The result reveals that CED has a positive (1.1737) and statistically significant (t=6.426) effect on gross domestic product in Nigeria at 5% level. Specifically, the result implies that a 10% increase in CED revenue results in an increase of about 11.7% in gross domestic product.

First, the descriptive statistics for these variables revealed a mean of 2908 and a Jacque-bera statistics value of 2.033 with p-value of 0.0076 when positively skewed at 0.52. The result of the test statistics revealed that CED has a positive (1.1737) and its statistically significant (t = 6.426) on gross domestic product in Nigeria at 5% level. Thus, this implies that a 10% increase in CED revenue results in an increase of about 11.7% in gross domestic product. Therefore, the study rejects the hypothesis that CED revenue has no significant implication on gross domestic product in Nigeria.

Nnadozie (2003) noted that there is a significant implication of custom and excise duty on gross domestic product. In his study, he noted that high customs duties affect a country's ability to effectively encourage employment and national growth. When the cost of importing necessary equipment for companies to operate profitably and successfully is too high, it indirectly affects production quality, the number of employees that can be hired, and production costs. Ekeocha, et al., (2012) supported Nnadozie (2003) that the administration of customs and excise duty has a far-reaching implication on a country's gross domestic product.

The study shows that CED revenue has no significant implication on the Human Development Index in Nigeria. This was arrived at through descriptive statistics and a regression analysis. The result revealed that CED has a positive (0.031), though not statistically significant (t = 0.8713), effect on

the Human Development Index in Nigeria at 5% level. Excise duty is a tax on the goods exported to other countries, while import duty is a tax on the goods coming into the country from other countries. These taxes, according to Uwakaeme (2015), are imposed to regulate the production and consumption of certain goods and services, protect infant industries, control business, curb inflation, reduce income inequalities, etc.

Furthermore, all these are supposed to affect the human development index positively. But increased taxation on imported goods and services has affected the level of such goods and services that industrialists within the country are encouraged to produce, thus accounting for the no significant effect (0.8718). Nnadozie (2003) opined that high import duty on daily products, textiles, materials, and food is the reason for economic dewindlement, as it discourages employment and creation of industry.

CONCLUSION AND RECOMMENDATIONS

From the findings, we conclude that customs and excise duty has an insignificant influence on economic development (gross domestic product and human capital development) in Nigeria. Based on this finding, the study suggests that a major issue that should be addressed is the leakages and loopholes in the system that create room for importers to pay less or even more than the required customs and excise duty and thus there is a need for more transparency in the activities of the customs service.

Furthermore, another consideration is that the customs and excise duty must not be such that it serves as a disincentive for export and import trade and this is even more critical because the mark-up on prices of tradables is passed on to the final consumer and this thus increases the tax burden for Nigerians. The study has contributed to knowledge by revealing that the exchange rate is a strong moderator of the relationship that exists between non-tax revenue and economic development in Nigeria. Based on the empirical evidence, Nigerian tax administrators and public policy makers will be able to acquaint themselves with the tax revenue that has more impact on economic development in Nigeria. Armed with this information, appropriate tax strategies are designed to enhance tax contribution to the gross domestic product of the economy.

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