IMPACT OF INFORMAL SECTOR TAX REVENUE ON CAPITAL GROWTH IN EBONYI STATE CAPITAL, ABAKALIKI

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Abstract.
The study examined the effect of informal sector tax revenue on capital growth in Ebonyi State Capital, Abakaliki. The study adopted Ex-post facto research design in obtaining secondary data, covering 21 years (2000–2020) from the State Internal Revenue Service and the Ministry of Budget and Planning, Abakaliki. The data collected were tested using Ordinary Least Square (OLS) regression. The findings revealed that tax collected from Traders' unions, Petty traders, and Market men and women had a significant effect on capital growth in Abakaliki, the State Capital. This is evident from the monumental capital projects being executed by the government in Abakaliki, the capital city. The study recommended that the government should not only create an enabling environment for the informal sector to thrive but should also give all necessary assistance/support for its survival because the sector has contributed to the capital development of the state capital through the tax revenue generated.

Keywords: Trader's unions; Market men and women; Petty traders and Capital development.


Date Submitted: 30/08/2021 Date Accepted: 20/10/2021

CC BY DOI: https://dx.doi.org/10.4314/ijdmr.v17i1.1

Publisher: Development and Management Research Group (DMRG)
Introduction
Revenue from tax is a major source of income for the government to perform their civic obligations to the citizens. Tax income helps achieve economic growth and in stabilizing the economy, such as coping with economic depression, persistent rise/increase or fall in prices of goods and services. Tax income is also used in the determination in the rightful sharing of the state available resources. It equally assists in tackling poverty and in the promotion of socio-economic development in the country (Ofoegbu, Akwu & Oliver, 2016). Tax revenue mobilization serves as a major source of funding the growing activities in Nigeria.

Adeleke (2015) opined that revenue from tax is an important instrument of economic reforms and a veritable tool or key actor for the development of the economy. In recent years, the growing cost of governance or administration together with declining income has made the governments in Nigeria to improve their revenue base (Adegboyega, Olabisi, Kajola, & Asaolu, 2019). The informal sector has presented the hope of engendering additional income to compensate for the shortfall in tax revenues. The informal economy is a concept originally introduced by the International Labour Organization and is described as “a way of doing things” and has seven drivers which include ease of entry; reliance on indigenous resources; family ownership; small-scale operation; labour intensive and adaptive technologies; unregulated and competitive markets. However, the extent this important source of revenue has aided governments, especially the Ebonyi State Government to bridge its dwindling revenue base is far from being determined. Consequently, this study evaluates the impact of informal sector tax revenue on the capital development of Ebonyi State capital, Abakaliki.

Statement of the Problem
In a survey carried out by Oduwole and Sanni (2014), the total informal sector jobs in Nigeria was put at 90% of new jobs in the country, about 80% of all non-agricultural employment and about 60% of urban jobs were created by the informal sector. This has earned the informal sector the pivotal of being a massive, diverse and the mainstay of the formal sector. Despite this fact, Oduwole and Sanni (2014) argue that the informal sector contribution to the national revenue in the form of tax is minimal. The reasons adduced include unavailability of acceptable data on operators; the absence of conventional accounting practices; poor internal record keeping; and, cash based nature of most transactions and the absence of essential records with relevant revenue authorities. Hence, it becomes difficult to assess their levels of tax liability and track compliance with tax authorities. It appears to cause huge revenue leakage and greatly increases the tax gap within the Nigerian tax system.

Widespread informal activities of the informal sector are usually regarded to be a persistent phenomenon in developing countries, Nigeria inclusive. It has been suggested that some of the largest and fastest-growing business sectors in Nigeria, such as the retail and construction, are dominated by informal activities and entrepreneurs as well (Kundt, 2017). Although the informal sector exists in both developing and developed countries, the context of their environment,
cultures, and dynamics shape their evolution. It is difficult to track the growth and contribution of most of the players in this sector because of their transitory life cycle, modus operandi and lack of institutional records by the State and Federal governments in Nigeria (Adeleke, 2015).

Given the above, the operations and features of the informal sector coupled with the quantum of tax revenue from the sector as grouped by the government, various studies have not been able to establish the proper links between the tax revenue from the sector with the capital development of the country. Against this backdrop, the present study seeks to examine the impact of informal sector tax on revenue generation in Ebonyi State capital Abakaliki.

Objective of the Study
The central objective of the study is to examine the effect of informal sector tax revenue on capital development in Ebonyi State capital Abakaliki. Specifically, it seeks to examine the impact of tax revenue from traders’ unions, investigate the effect of tax revenue from market men and women and to evaluate the effect of tax revenue from petty traders on capital growth/development in Abakaliki, the Ebonyi State capital.

LITERATURE REVIEW
Conceptual Reviews

Informal Sector
The informal sector refers to the economic activities that function with limited government regulation and usually unstructured. They typically operate at a low level of organization, with little or no division between labour and capital as factors of production. It consists of micro, small and medium scale enterprises including traders, and artisans and constitutes a significant portion of the Nigerian economy.

Tax Revenue of Informal Sector
Informal sector and its tax revenue have been variously defined by several authors that have contributed to this discussion. The informal economy is described as the sum total of economic activity that happens outside state regulation, which is neither taxed nor represented in a country’s Gross Domestic Product (Enahoro & Olabisi, 2014). It has also been described as economic activities that lack conventional accounting procedures characterized by high rates of non-reporting or underreporting and left out from social measurement device such as the Gross Domestic Product (Oduwole & Sanni, 2014).

The informal sector is an enterprise that employs one to nine people (Adesoji & Chike, 2016). It covers a wide sector and it includes manufacturing, trading, and services. The sector includes market traders, artisans (mechanics, technicians), cottage industrialists, petty hawkers, transport workers, small shops, and micro businesses. Built on experience, a probable tax system is capable of reducing the chances of evading taxes because it eliminates the onus of self-assessment from the informal sector such that the duty of evaluating taxable income rests on the tax authority (Adesoji & Chike, 2016).

Oduwole and Sanni (2014) conclude that a key attribute of a faithful and just tax scheme is equity where tax payers pay based on their ability. However, the existing tax system in Nigeria, where workers in the formal sector pay tax accordingly because there are records and whereas
higher income earners in the informal sector continue to evade and avoid tax or even worse, where unlucky petty traders and market men and women are hassled by multiple taxes but richer and cleverer informal business persons pay nothing, is far from being fair and such tax supervision is not efficient.

**Trader’s Union (TU)** Trader’s Union is a voluntary, non-profit making organization for mutual benefit or advantage of members who are involved in independent enterprise manufacturing or distributing comparable goods and services. A Trader’s Union is an industry trade group, business association or industrial body established and funded by businesses that operate in a specific line of business (Adum, 2018). Affiliation criteria seem neither unrealistic nor exclusionary, except that some traders or service providers may feel unable to meet the fees (Odoemelam, 2018).

**Petty Trading (PT)** Petty trading refers to an economic activity that comprises retailing (and buying) goods and services on a small scale, ranging from agricultural produce to imported consumer goods. It constitutes a group of individual sellers with small capital and buyers operating in a group of small spaces (David, 2016). Petty trading activity has become an important sphere of the informal sector that plays momentous role in urban economic life. Certain commodities are not capable of being sold to ultimate consumers by the formal sector such as fruits, vegetables, groundnuts, retail biscuits, spoons, pan, cigarettes, cosmetics, jewelry, ladies’ bags and wallets, second-hand clothes (Musa & Acheampong, 2014).

**Market Men and Women (MMW)** Market men and women have shops in the same and different markets in Abakaliki Ebonyi State. There are periodic markets outside and within the cities, while the periodic market places serve the traditional needs; the trading centres serve as bridges between export enclaves and the produce markets in the rural areas (Gilson, 2015). There are normally periodic market places in rural areas and daily marketplaces are dominant in urban areas by market men and women.

**Empirical Review**

Ramot and Ichihashi (2015) examined using panel data from 65 countries during the period of 1975–2011 to assess the effects of the tax structure on economic growth and income inequality. Ordinary Least Square method of analysis was adopted. The study showed that Company Income Tax (CIT) rates had a negative impact both on economic growth and income inequality. It was also found out that the Personal Income Tax (PIT) rate did not significantly affect economic growth and income inequality. The study recommended developing and introducing a modest design into the tax system in Nigeria.

Ameyaw, Oppong, Abruquah and Ashalley (2016) assessed the informal sector tax compliance issues and the casualties between taxation and economic growth with empirical evidence from Ghana. The research was divided into two parts. Questionnaires were administered to 600 respondents comprising informal sector taxpayers in all the ten regions of Ghana. The regression analysis was employed. The second part of the study examined the casualty between taxes and GDP in Ghana’s economy in the period of 1980–2015 using the Augmented Dickey Fuller Unit Root test. The results revealed that attitudes, subjective norms, and perceived
behavioral control were the main determinants of the informal sector compliance factor. The study recommended that efforts should be geared towards improving tax systems to augment the GDP of the country.

Obara and Nangih (2017) examined the effect of taxing the informal sector in Nigeria with a focus on River state. A descriptive research design and a judgmental and convenience sampling technique were adopted. The data collected were analyzed using Kruskal Wallis and Chi-square tests to examine the formulated hypotheses. The findings revealed that taxing the informal sector boosted revenue generation and positively affected the economic development of developing states in Nigeria.

Jones, Nwawuru and Nmesirionye (2018) examined the effect of value added tax on growth of Nigeria using time series data from 1994 to 2012. The study employed ex-post-facto design and extracted variables such as value added tax and real gross domestic product from the Central Bank of Nigeria statistical bulletin. It used the Engle Granger General Error Correction model (ECM) technique of data analysis and established that value added tax has negative significant relationship with gross domestic product both on the short and on the long run equilibrium conditions and concluded that value added tax has significant effect on economic growth of Nigeria.

Guillermo and Deyve (2019) examined the size of informal economy in Peru, Latin America and OCDE countries as well as estimated the impact of the informal economy on tax revenue and economic growth. The study adopted the Multiple Indicator and Multiple Cause (MIMIC) model. The results showed that the estimated average size of informal economy on tax revenue as a percentage of GDP was 37.4 % in Peru, in Latin America it was 34 % and in OCDE countries – 19.89 % representing less than half of the average in Latin America.

**Theoretical Review**
The study is anchored on the expediency theory propounded by Bhartia in 2009. This was used because of its numerous advantages and capability in boosting the tax yield of the government. It is a robust and dynamic model of administrative tool developed to respond to the administrative, technical and technological attitudes of the taxpayers to having enough funds to take care of state activities for capital growth and development.

He pointed out that this taxation theory evolved on the supposition that there was no link between tax generated by the government and the services rendered by the government. The absence of a direct link between tax collected from taxpayers and services rendered by the government to the taxpayers presents the tax payment as a compulsory obligation and is not motivating. The expediency theory proposes that every government tax policy should be subjected to the practicality test. This should be the only factor to assess the selection of tax schemes by the government of every state (Bhartia, 2009; Appah & Eze, 2014; Udoh, 2015).

Taxation offers a commanding set of rules that should be well adapted to salvage the declining economy and correct social injustice in the society such as income disparities, regional inequalities, and joblessness. Wahdan and Leithy (2017) endorsed social and political impartial to be a major feature to select a tax system. They purported that an appropriate solution shall be
devised when the economic challenge is considered alongside with associated social and political framework. Therefore, a tax system should be designed to correct the social ills and economic imbalance in society and rather than serve individual members of society.

Finally, it is unreasonable to impose taxes on people, if a tax cannot be properly and efficiently collected. However, given a set of diverse feasible taxes and realistic rates, a selection should be made regarding their conceivable influence on the functionality of the economy. The expediency approach does not aid the government to resolve the unrealistic taxes and those that bear the burden of a new tax or modification to the prevailing tax system but argues that the existing tax is not workable.

METHODOLOGY
To achieve the objective of the study, *Ex-post facto* design was used to obtain secondary data (covering a period of 2000–2020) from the Abakaliki, Ebonyi State’s Internal Revenue Service as well as the Ministry of Budget and Planning of the State. The data collected were appropriate for the study due to the following reasons:

(i). they were already validated by professionals and other regulatory bodies before being published by the Ministry of Budget and Planning;

(ii). The Secondary data were consistently used in previous studies and produced good results.

The studies adopted a quantitative data analysis technique and were undertaken in four stages, which included the performance of descriptive analysis using the mean, minimum, maximum, and skewness. It was done with a view to describing the data set to fix the normality of the series. Thus, a *p*-value of Jacque Berra’s statistics was higher than the accepted level of significance of 5% representing that the series was normally distributed. Since normalities of the series were one of the central suppositions of performing Ordinary Least Square (OLS) regression, all the series were tested from 2000 to 2019. Furthermore, a trend analysis was undertaken to define the trend of each of the independent variables on the dependent variable. Third, the study examined the interaction among each measure of tax revenue. Last, the study employed the Ordinary Least Square analysis to determine the extent to which each of the independent variables had contributed to the dependent variable and coefficient of determination was employed to establish the degree to which each of the independent variables explained the effect on the capital development in Abakaliki capital city.

**Research Hypotheses**
The following hypotheses were formulated and tested:

*Ho1*: Tax revenue from associations has no significant impact on capital development in Abakaliki Ebonyi State capital.

*Ho2*: Tax revenue from market men and women has no significant impact on capital development in Ebonyi capital city.

*Ho3*: Tax revenue from petty traders has no significant impact on capital development in Abakaliki, the capital city.
Model Specification
To achieve the main objective, two variables were identified in the study: independent and dependent variables. The independent variables are informal sector tax revenue with the following dimensions as surrogates: petty traders, associations, market men and women. The dependent variable, on the other hand, is capital development measured by education, housing and health sector development for the period under study. The following models were adopted:

Capital Development = \( f \) (Informal Sector Tax Revenue). (1)

Therefore, Equation (1) becomes:
\[
CD_t = f(TU_t, MMW_t, PT_t). (2)
\]

Operationalizing Equation (2) becomes
\[
CD_t = \alpha_0 + \alpha_1 ASS + \alpha_2 MMW + \alpha_3 PT + e, (3)
\]

where
- \( CD \) – capital development (N’ billion);
- \( TU \) – tax revenue from trader’s union (N’ billion);
- \( MMW \) – tax revenue from market men and women (N’ billion);
- \( PT \) – tax revenue from petty traders (N’ billion);
- \( e \) – error term;
- \( \alpha_0 \) – constant;
- \( \alpha_1, \alpha_2, \alpha_3 \) – coefficients estimated;

Decision Rule
If \( t \) calculated value is less than \( t \) critical table value, Accept \( H_0 \) and Reject \( H_1 \).
If \( t \) calculated value is more than \( t \) critical table value, Accept \( H_1 \) and Reject \( H_0 \).

\( H_0 \) means the individual independent variable does not assert statistical significance on the dependent variable, while \( H_1 \) means the individual independent variable asserts statistical significance on the dependent variable.
DATA PRESENTATION

Descriptive Statistics

The table below describes the behaviour of the variables adopted in the study, which included independent variable measured with Trader’s Union (TU), Market Men and Women (MMW), Petty Traders (PT) and Capital Development (CD) as the dependent variable.

Table 1: Descriptive Statistics (authors’ computation, 2020)

<table>
<thead>
<tr>
<th></th>
<th>CD</th>
<th>TU</th>
<th>MMW</th>
<th>PT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>0.1155</td>
<td>3.5325</td>
<td>1.9050</td>
<td>4.8430</td>
</tr>
<tr>
<td>Median</td>
<td>0.1000</td>
<td>3.1000</td>
<td>1.4500</td>
<td>3.6900</td>
</tr>
<tr>
<td>Maximum</td>
<td>0.3800</td>
<td>6.3300</td>
<td>6.4000</td>
<td>2.1300</td>
</tr>
<tr>
<td>Minimum</td>
<td>0.0200</td>
<td>2.0600</td>
<td>0.1000</td>
<td>0.2900</td>
</tr>
<tr>
<td>Std. Dev.</td>
<td>0.0958</td>
<td>1.2224</td>
<td>1.5632</td>
<td>4.3409</td>
</tr>
<tr>
<td>Skewness</td>
<td>0.9819</td>
<td>1.0096</td>
<td>2.2749</td>
<td>2.8573</td>
</tr>
<tr>
<td>Kurtosis</td>
<td>4.0626</td>
<td>2.9915</td>
<td>7.0663</td>
<td>11.5806</td>
</tr>
<tr>
<td>Jarque-Bera</td>
<td>4.1549</td>
<td>3.3979</td>
<td>3.1030</td>
<td>8.8570</td>
</tr>
<tr>
<td>Probability</td>
<td>0.1253</td>
<td>0.1829</td>
<td>0.0000</td>
<td>0.0000</td>
</tr>
<tr>
<td>Observations</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>20</td>
</tr>
</tbody>
</table>

Author’s Computation 2021

Note: TU = Trader’s union Tax; MMW = Market Men and Women Tax; PT = Petty Traders Tax and CD = Capital Development

The results (Table 1) of descriptive statistics revealed that the minimum tax collected from Trader’s union (TU) was 2.060, while the maximum tax was 6.330. The mean of TU was 3.533 with a standard deviation of 1.222. The minimum tax collected from market men and women (MMW) was 0.100, while the maximum tax was 6.400. The mean of MMW was 1.905 with a standard deviation of 1.563. The minimum tax collected from petty traders (PT) was 0.290, while the maximum tax was 2.130. The mean of PT was 4.834 with a standard deviation of 4.341. The minimum amount spent on capital development (CD) was 0.020, while the maximum amount was 0.380. The mean of CD was 0.116 with a standard deviation of 0.096. It implied that the highest revenue from the informal sector was generated from the association and the lowest revenue – from petty traders.

TU, MMW, PT and CD were all positively skewed or rightward skewed. The probability values of kurtosis of CD, MMW and PT were leptokurtic as they were all greater than 3, while the values of Kurtosis ofTU indicated that the variable was platykurtic or flat.

In conclusion, Jarque-Bera statistics was used to further clarify the normality of the data for the variables; critical appraisal of the Jarque-Bera statistics revealed that CD and TU were normally distributed with the probability values greater than significance level of 5%, while those of MMW and PT were less than 5% indicating non-normality of the variables.
Correlation Analysis
Table 2 presents the correlation matrix showing correlation between the dependent and independent variables. The results revealed that the explanatory variables of the Trader’s, Union, market men and women and petty traders were positively correlated with capital development. The results demonstrated that the correlation between explanatory variables and response variables was weak in both cases.

Table 2: Correlation (authors’ computation, 2021)

<table>
<thead>
<tr>
<th>Probability</th>
<th>CD</th>
<th>TU</th>
<th>MMW</th>
<th>PT</th>
</tr>
</thead>
<tbody>
<tr>
<td>CD</td>
<td>1.000000</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TU</td>
<td>0.1248861</td>
<td>0.000000</td>
<td>0.5999</td>
<td>-</td>
</tr>
<tr>
<td>MMW</td>
<td>0.182497</td>
<td>0.170867</td>
<td>1.000000</td>
<td>0.4412</td>
</tr>
<tr>
<td>PT</td>
<td>0.040102</td>
<td>0.372157</td>
<td>0.090563</td>
<td>1.000000</td>
</tr>
<tr>
<td></td>
<td>0.8667</td>
<td>0.1061</td>
<td>0.7042</td>
<td></td>
</tr>
</tbody>
</table>

Author’s Computation 2021

Table 3 further revealed that the highest correlation among independent variables was between Trader’s union and petty traders, i.e., 0.372. Judge, Griffiths, Hill, Luthepohl and Lee (1985) argue that the simple correlation between independent variables should not be considered harmful until it exceeds 0.8 or 0.9.

Granger Causality Test
The causality test among the series revealed that there was no causality between TU and MMW, on the one hand, and PT and TU on the other hand (see Table 3). Furthermore, there was no causality between PT and MMW.

Table 3: Pairwise Granger Causality Test (authors’ computation, 2021)

<table>
<thead>
<tr>
<th>Direction of causality</th>
<th>Null hypothesis</th>
<th>F-statistics computed</th>
<th>5 % critical value</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>TU to MMW</td>
<td>No causality</td>
<td>1.20373</td>
<td>0.3314</td>
<td>Accept null hypothesis</td>
</tr>
<tr>
<td>PT to TU</td>
<td>No causality</td>
<td>0.43616</td>
<td>0.6556</td>
<td>Accept null hypothesis</td>
</tr>
<tr>
<td>PT to MMW</td>
<td>No causality</td>
<td>0.06377</td>
<td>0.2385</td>
<td>Accept null hypothesis</td>
</tr>
</tbody>
</table>

Author’s Computation 2021
Unit Root Test
The unit root test is a time series process where the current values comprise the last period’s value that presents a dependent disturbance. To avoid spurious results in the study, stationary test of variables was performed using the Augmented Dickey Fuller test for unit root.

Table 5: Unit Root Test Results (authors’ computation, 2021)

<table>
<thead>
<tr>
<th>Variables</th>
<th>Augmented Dickey Fuller</th>
<th>Order of integration</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>First Difference</td>
<td>Orde</td>
</tr>
<tr>
<td>Capital Development</td>
<td>−3.540371</td>
<td>(0.0182)</td>
</tr>
<tr>
<td>Trader’s union</td>
<td>−4.928821</td>
<td>(0.0011)</td>
</tr>
<tr>
<td>Market Men and Women</td>
<td>−5.117425</td>
<td>(0.0007)</td>
</tr>
<tr>
<td>Petty Traders</td>
<td>−4.484935</td>
<td>(0.0026)</td>
</tr>
</tbody>
</table>

The test showed that all the variables were integrated at level. Hence, it is safely concluded that the series are stationary at this level. It implies that the unit root test showed a combination of stationary variables at level 1(0) across the independent and dependent variables. Econometric theory suggests a regression model for the variables.

Regression Estimate Results
Table 6 reveals the results that capture relationship amongst the series, using the Ordinary Least Squares (OLS) estimation technique.

The results showed that taxes from TU, MMW and PT which in sync with a priori expectations were statistically significant in contributing to the capital development in Lagos metropolis at 5 % level. These results invalidated the null hypotheses for association, market men and women and petty traders.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>TU</td>
<td>0.438168</td>
<td>0.121159</td>
<td>3.616456</td>
<td>0.0005</td>
</tr>
<tr>
<td>MMW</td>
<td>0.571656</td>
<td>0.232141</td>
<td>2.462534</td>
<td>0.0156</td>
</tr>
<tr>
<td>PT</td>
<td>0.244663</td>
<td>0.093333</td>
<td>2.621393</td>
<td>0.0102</td>
</tr>
<tr>
<td>C</td>
<td>−0.129381</td>
<td>0.100177</td>
<td>−1.291519</td>
<td>0.1997</td>
</tr>
</tbody>
</table>

R-squared 0.668791
Adjusted R-squared 0.624578
F-statistic 3.817666
Prob. (F-statistic) 0.003419 Durbin-Watson stat 1.968440

Author’s Computation 2021
Therefore, the alternate hypotheses for the three hypotheses were validated. Furthermore, the relationships between all the measurements of informal sector tax were positive, which showed that monumental capital development in Lagos Metropolis was brought about by taxes collected from association, market men and women and petty traders in Lagos State, Nigeria.

The result of the $R^2$ was 62.46%, which implied that approximately 62% of the changes in CD were caused by the independent variable, while the remaining 38% of the changes were due to other variables not specified in the model. The $F$-statistic measures the overall significance of the explanatory variable in a specified model. The value of the $F$-statistic, according to the results of the regression, was 3.817666 with a probability value of 0.0034, which was significant at a 5% critical level. The decision rule for the $F$-statistic is that we reject the null hypothesis when the $F$-statistic is less than a 5% critical level. The explanatory variable was significant in explaining changes in the dependent variable. In the regression conducted, the value of the Durbin Watson statistic was 1.9684, which indicated that there was no serial correlation in the model because the value was approaching the value of 2.

Discussion of Findings
The study aimed at examining the effect of informal sector tax revenue on capital development in Abakaliki, the State Capital by collecting the relevant data from the State Internal Revenue Service. To achieve the broad objective, informal sector tax was measured using tax collected from trader’s union, market men and women and petty traders.

Findings from the study revealed that tax collected from the Trader’s union, petty traders and market men and women had a significant effect on capital development in the state. The contribution was towards capital projects, such as concrete road construction, fly-overs, Street Lights, building of schools, hospitals and housing-estates, thus increasing the standard of living of the people. The taxes collected from market men and women were used by the government to build markets, parks, and garages, to improve the lives of the market men and women. The revenue collected from petty traders was used by the government to build stalls and lock-up shops, at the International market and Kpiripkiri markets where traders could easily display their wares rather than hawking them on the streets. The results were in line with the findings of Adesoji and Chike (2015), Obara and Nangih (2017), Dada, Adebayo, and Adeduro (2017) who established that revenue taxes positively affected economic growth in Nigeria.

Conclusion
The study concluded that taxes from the informal sector when added to other sources of revenue to the state have a significant effect on capital development in Abakaliki. It is evident from the monumental capital projects being executed by the government in the capital city. Therefore, the government should not only create an enabling environment for the informal sector but also give all necessary support for its survival because the sector has contributed immensely to the capital development of the state.
Recommendations
The study recommended the following activities:

- Government should fashion out strategies to collect taxes from the informal sector in order to manage government’s operations efficiently and effectively.
- Government should continue with its public enlightenment programmes, which aim at educating trader’s union, market men and women and petty traders on the benefits linked with tax payment.
- Government should continue with its capital development programmes by constructing more roads to connect the hinterlands, building hospitals, schools, markets in order to gain the trust of the citizens of the state.

References


