CORPORATE TAX REVENUE AND OUTPUT GROWTH OF MANUFACTURING SUB-SECTOR IN NIGERIA

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ABSTRACT

The study examined the nexus between corporate tax revenue and output growth of the Nigerian manufacturing sub-sector; Specifically, the study examined the impact of government expenditure on output growth of manufacturing sub-sector in Nigeria, determined the effect of tax revenue on output growth of manufacturing sub-sector in Nigeria. The study employed secondary data gathered from the Central Bank of Nigeria Annual Report and Statement of Account 2018 and other editions, Federal Bureau of Statistics as well as economic statistical websites (Index mundi). Selected variables were estimated using Auto-regressive Distributed Lags (ARDL) approach to co- integration technique. Findings revealed that government investment (GINVEXP) is statistically significant at the level of 5% though having negative on the manufacturing subsector output; Interest rate (INT) has a negative relationship with the dependent variable (MO) Manufacturing capacity utilization exerts a positive relationship with manufacturing output in Nigeria. Based on the findings, the study recommended among others that government should be sensitive to the variables in the tax environment (Company Income Tax) and other macro-environmental factors so as to enable the manufacturing sector cope with the ever changing dynamics of the manufacturing environment. government through banking sector in Nigeria, should reduce interest rate so that company can have access to loan in order to boost manufacturing output in Nigeria and larger percentage of government investment expenditure in the annual budget should be on capital component coupled with improved implementation of expenditure policies rather than recurrent expenditure which does not really have a significant impact on the manufacturing sub-sector in Nigeria.

KEY WORDS: *Corporate Tax Revenue, Government Investment, Manufacturing Capacity Utilization and Output Growth of Manufacturing Sub-Sector*

INTRODUCTION

Government over the years have embarked on various macroeconomic policy options to grow the economy in terms of growth and development and the policy option employed is that of management of corporate tax revenue (Peter and Simeon, 2011). Fiscal policy is the use of government revenue collection (taxation) and expenditure (spending) to influence the economy. The two main instruments of fiscal policy are government taxation and government expenditure. It is the government spending policies for the purpose of influencing macroeconomic conditions. These policies affect tax rates, interest rates and government spending, in an effort to control the economy.

Taxation as a concept involves more than mere imposition of the compulsory payment of sum of money by the government or its agents. It is the sum total of the assessment of tax, the imposition of compulsory sum of money by the government or its agencies on individuals and firms, the collection of and the accounting for the levied amounts and the keeping and auditing of tax records.

One of the remarkable trends in contemporary history has been the importance in the growth of economic life. Any serious discussion of government is bound to raise the question about revenue and expenditure. Through appropriate tax, expenditure and regulatory policies, governments seek to attain certain objectives. The achievement of macroeconomic goals namely, full employment, stability of price level, high and sustainable economic growth and external balance, from time immemorial, has been a policy priority of every economy whether developed or developing, given the susceptibility of macroeconomic variables to fluctuations in the economy. The realization of these goals is not automatic but requires policy guidance. The policy guidance represents the objectives of economic policy (Olawunmi and Ayinla, 2007). Two major instruments or tools are used by government to influence private economic activity; taxes and expenditure. The effect of taxation covers all the changes in the economy resulting from the imposition of a tax system. One may say that without taxation, a market economy would not attain certain production, consumption, investment, employment and other similar patterns. The presence of taxation modifies these patterns and such modifications may collectively be called the effect of taxation.

Government has the responsibility of preventing business depression by the proper use of fiscal and monetary policy, as well as close regulation of the financial system. In addition, government tries to smooth out the ups and downs of the business cycles, in order to avoid either large-scale unemployment at the bottom of the cycle or raging price inflation at the top of the cycle. More recently, government has become concerned with financing economic policies which boost long-term economic growth and sustainable manufacturing sector. Because of the increasing importance of government conduct in a nation's development process, fiscal policy handles the issues of resource allocation and is preoccupied with the problems of economic growth, economic stability, employment, prices, income distribution and social welfare.

Manufacturing is a subset of the industrial sector (processing, quarrying, craft and mining). Manufacturing thus involves the conversion of raw materials into finished consumer goods or intermediate or producer goods. Manufacturing like other industrial activities creates avenue for employment, helps to boost agriculture and helps to diversify the economy while helping the nation to increase its foreign exchange and local labour to acquire skills. It minimizes the risk of over dependence on foreign trade and leads to fullest utilization of available resources. The degree of manufacturing is a measure of the extent to which the other components of the industrial sector are effectively utilized (Kaldor, 1998).

According to Ayodele and Falokun, (2003), manufacturing has been described as the production of merchandise for use or sale using labour, machines, tools, chemical and biological processing or formulation. The term may refer to a range of human activity from handicraft to high tech, but is most commonly applied to industrial production, in which raw materials are transformed into finished goods on a large scale. Industrialization has been seen as a veritable channel of attaining the lofty and desirable conception of goods and improved quality of life for the populace. This is because; industrial development involves extensive technology-based development of the productive (manufacturing) system of the economy. In other words, it could be seen as deliberate and sustained application and combination of suitable technology, management techniques and other resources to move the economy from the traditional low level of production to a more automated and efficient system of mass production of goods and services.

Despite several government policies on the stability of Nigerian economy through manufacturing industry, there have been a lot of challenges facing the growth of Nigerian manufacturing industry as identified by researchers. These challenges include corruption and ineffective economic policies (Gbosi, 2007); inappropriate and ineffective policies (Anyanwu, 2007); lack of integration of macroeconomic plans and the absence of harmonization and coordination of fiscal policy (Onoh, 2007); gross mismanagement/misappropriations of public funds (Okemini and Uranta, 2008); and lack of economic potential for rapid economic growth and development (Ogbole, 2010). Despite the emphasis placed on fiscal policy in the management of the economy, the manufacturing sector inclusive, Nigerian economy is yet to come on the path of sound growth and development because of low output in the manufacturing sector to the economy (GDP).

Given the importance of high productivity in boosting economic growth and the standard of living of the people, it is necessary to evaluate the corporate tax revenue and the output growth of Nigeria manufacturing sub-sector. Manufacturing is assumedto be more dynamic than other sectors and it is currently faced with several challenges. The technological base is weak primarily due to lack of investment in research development and innovation. The deterioration in the sector is evident from its contribution to the gross domestic product, which has averaged eigth percent in the last five years i.e 2015-2019 (Szirimai,2008).

The issues raised above have provoked series of questions which this study sought to resolve. First, does government expenditure has impact on output growth of Nigerian manufacturing sub- sector? Second, are there any effects of tax revenue on output growth of Nigerian manufacturing sub-sector? Consequent upon the above, the objective of the study is to examine corporate tax revenue and output growth rate of Nigerian manufacturing sub-sector. Specifically, the study intends to examine the impact of government expenditure on output growth of Nigerian manufacturing sub-sector; determine the effect of tax revenue on output growth of Nigerian manufacturing sub-sector.

Many studies have been done to investigate corporate tax revenue and the output of manufacturing sub-sector. First, Kaldor (1998) investigates the extent to which liquidity and firm size influence firm performance in six OECD Countries. Specifically, the paper

analyzed the primary effect of firm size on reliance return on asset. There is general agreement that small firms have limited return on asset and therefore it is expected that there should be more emphasis on internal investment. Using multiple regression analysis, the result showed that firm size and liquidity has positive effects and highly sensitive relation with internal investments in all the countries.

Gentry and Hubbard (2000) emphasizes a different effect of the tax system on risk-taking investors. If the marginal tax rate under the personal income tax is an increasing function of taxable income, then entrepreneurs are able to save little in taxes on any losses they incur but can owe substantial taxes on any profits. The more progressive the tax schedule, therefore, the more risk-taking lowers the expected after-tax return from the project. As a result, a progressive rate schedule discourages risk-taking. As a result, a firm generating tax losses will prefer to be non-corporate so that the entrepreneur can deduct these losses against other personal income, saving on personal income taxes.

Eze and Ogiji (2013) examines the impact of fiscal policy on the manufacturing sector output in Nigeria. Using error correction analysis, the study found that government expenditure significantly affect manufacturing sector output based on the magnitude and level of significance of the coefficient and p-value and there is a long run relationship between fiscal policy and manufacturing sector output.

Aregbeyen & Fasanya (2013) applies dynamic Ordinary Least Square to examine the impact of taxation on economic growth, their result show that there is a positive relationship between tax revenue and economic growth. The study also revealed that the level of taxation is not the only effect but it also takes into account the way and manner government designs and combines the tax structures to generate more revenues and bring the long run growth.

Ezejiofor, Nwosu & Okafor (2015) seeks to assess whether tax as a fiscal policy tool affect the performance of the selected manufacturing companies in Nigeria. The study found that Taxation as a fiscal policy instrument has a significant effect on the performance of Nigerian manufacturing companies. The implication of the finding is that the amount of tax to be paid depends on the companies' performances.

Olufemi, Odianonsen, Adeniran, Abiola, & Damilola(2019) who investigates the effects of company income and value-added taxes on the output of the manufacturing

sector in Nigeria using Auto-Regressive Distributed Lags. The long-run result revealed that there is a positive relationship between corporate taxes and the output of the manufacturing sector, while value-added tax reveals a negative relationship with the output. Evidence from the short-run result shows that company income tax is not statistically significant at the level of 5 per cent confirming the Ricardian Equivalence, although, the value-added tax is observed to be positively related to the output of the manufacturing sector.

Most of the studies on the relationship between corporate tax revenue and output growth of manufacturing sub-sector made use of data period below 2018. The need for more recent study which extends research frontier to 2018 for more reliable economic predictions on the impact of corporate tax revenue and output growth of Nigerian manufacturing sub-sector.

It is worthy of note that most of the studies carried out in the past on the subject matter, have failed to reach a common ground as a result of variations in their findings, hence findings in these studies were inconclusive which brought about a research gap which this paper intends to fill. Methodologically, most of the previous studies relied on the use of static models, therefore there is need to deploy a more sophisticated technique that will generate more reliable results on the impact of corporate tax revenues on output growth of manufacturing sub-sector in Nigeria. To achieve this, the study made use of the Autoregressive Distributed Lag (ARDL) approach to co integration technique.

METHODS AND MATERIALS

Model Specification

Following the study by Olufemi, Odianonsen, Adeniran, Abiola, &Damilola, (2019) with a slight adjustment to achieve the objective of this study, the functional relationship between corporate tax and the manufacturing subsector output in Nigeria is expressed in their logarithms form as follows:

$$MO_t = \beta_0 + \beta_1 CIT_t + \beta_2 GINVEXP_t + \beta_3 INT_t + \beta_4 M2_t + \beta_5 MCU_t + \mu_t$$

In log function, the model is expressed as:

$$LnMO_t = \beta_0 + \beta_1 LnCIT_t + \beta_2 LnGINVEXP_t + \beta_3 LnINT_t + \beta_4 LnM2_t + \beta_5 LnMCU_t + \mu_t$$

Where;

MO = Output in the Manufacturing Sector,

CIT = Company Income Tax,

GINVEXP = Government Investment Expenditure

INT = Interest Rate

M2 = Money Supply

MCU = Manufacturing Capacity Utilization.

Where't' is the period of observation,

β_0 is the constant term and

μ_t is the error term.

***A priori* Expectation**

The coefficient of CIT, GINVEXP,M2 and MCU are expected to be positive while the coefficient of INT is expected to be negative.

i.e.

Estimation Technique

The methods of estimation employed for this study were based on Auto-regressive Distributed Lags (ARDL) approach to cointegration test. The study analyzes time series properties of the research variables using the Augmented Dickey Fuller (ADF) unit root test. The beauty of the ARDL technique is the ability to apply the model whether the independent variables are stationary at 1(o) or 1(1). To test for both the short run and long run causality among research variables in this study, error correction model (ECM) techniques was employed.

Source of Data

The data used in this study are mainly time series secondary data obtained from Central Bank of Nigeria Annual Report and Statement of Account 2018 and other editions, Federal Bureau of Statistics as well as economic statistical websites (Index mundi).

RESULTS AND DISCUSSION

Unit Root Tests for the Variables

The Augmented Dickey-Fuller (ADF) unit root test results for the time series variables are presented in Table 4.1 below.

The use of ARDL models does not impose pre-testing of variables for unit root problems. However, unit root tests are conducted in this study to find out if there are mixtures in the order of integration of our variables. The order of integration of the time series was investigated by applying the Augmented Dickey and Fuller (1979) test.

Table-4.1. Unit Root Test Results

Variable	ADF Test Statistic	95% Critical ADF Value	Order of Integration	Remark
D(CIT)	-7.60**	-3.540	*I* (1)	Stationary
D(GINVEXP)	-4.89**	-3.557	*I* (1)	Stationary
D(INT)	-6.21**	-3.544	*I* (1)	Stationary
D(M2)	-4.75**	-3.540	*I* (1)	Stationary
D(MCU)	-3.59**	-1.950	*I* (1)	Stationary
D(MO)	-3.75**	-1.950	*I* (1)	Stationary

Source: Authors' Computations, 2020. **Note:** ** = 5 percent significance.

In the results shown in Table 4.1 above, the ADF test statistic for each of the variables are greater than the respective critical values. Thus, we accept the hypothesis of unit roots in each of the time series. In our final evaluation all the variables became stationary after first difference. Hence, they are integrated of order *I* (1). Once all the series are non-stationary in the level, one can estimate an econometric model only if they are co-integrated. Thus co-integration tests can be applied for all variables.

Co-Integration Test

Date: 12/18/19 Time: 14:17

Sample (adjusted): 1983 2018

Included observations: 36 after adjustments

Trend assumption: Linear deterministic trend

Series: CIT GINVEXP INT M2 MCU MO

Lags interval (in first differences): 1 to 1

Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.794209	149.7779	95.75366	0.0000
At most 1 *	0.692732	92.86569	69.81889	0.0003
At most 2 *	0.471782	50.38443	47.85613	0.0284
At most 3	0.326356	27.40757	29.79707	0.0920
At most 4	0.250125	13.18566	15.49471	0.1082
At most 5	0.075424	2.823119	3.841466	0.0929

Trace test indicates 3 cointegratingeqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

The result of the Johansen co-integration test shows that the trace statistics indicate five (3) co-integrating equation and also the Max Eigen statistics shows the variables have two co-integrating equations. This indicate that there is a long run relationship among the variables, hence the variables have high tendency to converge to long-run equilibrium level. Since the ADF test value for the residual is greater than the critical value, it is said to be stationary. Thus, the time series are co-integrated, implying that a long-run stable relationship exists among the variables used in this study. This means that any short run deviation in their relationships would return to equilibrium in the long-run.

Table 4.3: Auto-Regressive Distributed (ARDL) Result

BOUND TEST RESULT ARDL (1, 0, 4, 0, 2, 3)				
Significance	**Lower Class Bound.**	**Upper-Class Bound**	**F-statistics**	**Decision**
10%	2.08	3	17.33203	Long-run
5%	2.39	3.38	17.33203	Long-run
2.5%	2.7	3.73	17.33203	Long-run
1%	3.06	4.15	17.33203	Long-run

Source: Author's Computation, 2020.

Based on the outcome of the unit root test, this study estimated the ARDL to test for the existence of a long-run relationship among the series. Table 4.3 shows the ARDL result using Output in the manufacturing sector (MO) as the dependent variable, it is depicted that long-run relationship exists since the F-statistics is greater than the upper-class boundary at levels 10, 5, 2.5 and 1 significance level.

Table 4.4: ARDL Long-Run Relationship Result

Using MO as the dependent variable				
Variable	**Coefficient**	**Std. Error**	**t-statistics**	**Prob.**
CIT	-0.000826	0.002124	-0.388828	0.7020
GINVEXP	-0.002118	0.000743	-2.850898	0.0106
INT	-0.152132	0.034648	-4.390783	0.0004
M2	-1.82E-05	0.000296	-0.061701	0.9515
MCU	0.002928	0.041428	0.070674	0.9444
C	5.724571	1.387002	4.127299	0.0006

F-Statistics: 54.55337 Prob. value: 0.000000	R-squared: 0.978477 Adjusted R-squared: 0.960540	Durbin-Watson Statistics Value: 2.377472

Source: Author's Computation, 2020.

Table 4.4 presents the long-run relationship using MO as the dependent variable. The Durbin-Watson statistics value is 2.377472 which is closer to 2, which means there is no serial autocorrelation. The F-statistics measure the joint significance of the variables. The F-statistics value is 54.55337 with the probability of 0.000000; this indicates that the

independent variables jointly explained the dependent variable at a 5% significance level. The R-squared measures the determination of coefficient, measuring the fit of the model. The value of the R-squared is 0.978477, this shows that about 98% variation in the dependent variable is been explained by the variations in the independent variables. Hence, there is a good fit in the model. Likewise, the adjusted R squared measure the goodness of fit while the degree of freedom is put into consideration. The value is 0.960540, showing that the model has a good fit at 96%.

Evidence from the long-run result shows that company income tax (CIT) is statistically significant at the level of 5% and it is negative to the output of the manufacturing subsector in Nigeria in the period under review.

Government investment (GINVEXP) is statistically significant at the level of 5% though having negative on the manufacturing subsector output; Interest rate (INT) has a negative relationship with the dependent variable (MO) though statistically significant at 5% level with 15%. Holding other variables constant, 1% change in M^2 will result in about 182% in MO in the long-run. Manufacturing capacity utilization exerts a positive relationship with MO, holding other variables constant, 1% change in M^2 will cause about 292.8% increase in MO in the long-run. Manufacture capacity utilization (MCAUT) is not statistically significant at the level of 5%.

Table 4.5 ARDL Short-run Relationship Result

Variable	Coefficient	Std. Error	t-Statistic	Prob
D(GINVEXP)	-0.002118	0.000479	-4.419253	0.0003
D(GINVEXP(-1))	0.003480	0.000417	8.338179	0.0000
D(GINVEXP(-2))	0.005508	0.000407	13.51974	0.0000
D(GINVEXP(-3))	0.005086	0.000517	9.843961	0.0000
D(M2)	-1.82E-05	0.000182	-0.100304	0.9212
D(M2(-1))	-0.002051	0.000194	-10.59049	0.0000
D(MCU)	0.002928	0.032733	0.089446	0.9297
D(MCU(-1))	0.050852	0.033660	1.510765	0.1482
D(MCU(-2))	-0.072895	0.026285	-2.773300	0.0125
CointEq(-1)*	-0.733678	0.057685	-12.71871	0.0000

R-squared	0.939987	Mean dependent var	0.287941
Adjusted R-squared	0.917482	S.D. dependent var	1.878934
S.E. of regression	0.539740	Akaike info criterion	1.844471
Sum squared resid	6.991667	Schwarz criterion	2.293400
Log likelihood	-21.35600	Hannan-Quinn criter.	1.997569
Durbin-Watson stat	2.377472		

Source: Author's Computation, 2020.

Table 4.5, shows the result of the short-run relationship between corporate tax revenue and the output growth of Nigeria manufacturing sub-sector in Nigeria.

To investigate the existence of a short relationship among the variables of interest, restricted error correction model regressions was estimated. The most important thing in ECM (CointEq(-1)*) model is the sign and significance status of the error term. The short term deviations could converge towards the long run equilibrium at the annual speed rate of 73%. The equilibrium adjustment level reported that about 73% of disequilibrium will be adjusted periodically. It revealed that the model will revert to its equilibrium path whenever shocks occur. The coefficient of error term is 73% indicating that Nigeria Manufacturing sub-sector corrects its disequilibrium at a speed of 7% yearly. The error correction term is significant at 0.05% level since the p-value is less than 0.05%. it thus means that the short run is given validity that the explanatory variables in the model have long run relationship with the output expansion in the Nigerian manufacturing sub-sector. We can accept this model because the value of R^2 is smaller (0.94) than the value of Durbin-Watson statistic (2.37) which means that the model is not a spurious model and it can be accepted.

DISCUSSION OF FINDINGS

This study examined the short and long-run impact of corporate tax revenue and the output of the manufacturing sub-sector in Nigeria. Where manufacturing output (MO), manufacturing capacity utilization (MCU), money supply (M^2), inflation (INF) and company income tax (CIT) were considered in this study. The preliminary test was carried out on the series to determine the stationary properties. Evidence from the result as presented in Table 4.1 showed that all series are integrated of order one. Based on the outcome of the series, the study used Autoregressive distributed Lags (ARDL) to examine the short and long-

run impacts of the corporate tax revenue on the output of the manufacturing sub-sector in Nigeria.

Firstly, the Bound test was used to establish the long-run relationship as presented in Table 4.3, since the calculated F-statistics is greater than the upper bounds at the levels of 1 per cent, 2.5 per cent, 5 per cent and 10 per cent. This result indicates that the effect of the change in the short-run on any of the independent variable will have a long-run impact. Evidence from the long-run result as presented in Table 4.4, showed that company income tax (CIT) is statistically significant at the level of 5% and it is negative to the manufacturing sub-sector output in Nigeria. However, this is not desirable because it will reduce the investment through reducing user cost, the result is in line with the work Jen & Schwellnus (2008) who examined the effects of corporate income taxes on profitability and investment of firms in European OECD member countries over the time period of 1996 to 2004.The result indicated that corporate income taxes reduce investment through an increase in the user cost of capital while this could be explained by the negative profitability effects of corporate income taxes if there is an increase in the Income tax rate. Supporting the adverse effect of company income tax on output growth of manufacturing sub-sector is the work Nor'Azem & Bardai (2010) who conducted a study on corporate income taxes and revealed that there is an association between income tax and profitability of corporate institutions. Their findings indicated that corporate income tax adversely affects the profitability of manufacturing subsector.

Government investment (GINVEXP) is statistically significant at the level of 5% though having negative on the manufacturing subsector output; Interest rate (INT) has a negative relationship with the dependent variable (MO) though statistically significant at 5% level with 15%. Supporting this finding is the work of Eze & Ogiji (2013) who studied empirically the impact of fiscal policy on the manufacturing sector output in Nigeria. Using error correction analysis, the study found that government expenditure significantly affect manufacturing sector output based on the magnitude and level of significance of the coefficient and p-value and there is a long run relationship between fiscal policy and manufacturing sector output. The implication of their results is that if government did not increase public expenditure and its implementation, Nigerian manufacturing sector output

will not generate a corresponding increase in the growth of Nigerian economy, thereby reducing corporate tax revenue.

Holding other variables constant, 1% change in M^2 will result in about 182% in MO in the long-run though not statistical significant and this result negate the work of Charles (2012) who investigated the performance of monetary policy on manufacturing sector in Nigeria, using econometrics test procedures. The result indicates that money supply positively affect manufacturing index performance while lending rate, income tax rate, inflation rate and exchange rate negatively affect the performance of manufacturing sector.

This means that monetary policy is vital for the growth of the manufacturing sector in Nigeria which in turn would lead to economic growth. Manufacturing capacity utilization exerts a positive relationship with MO, holding other variables constant, 1% change in M^2 will cause about 292.8% increase in MO in the long-run. Manufacture capacity utilization (MCAUT) is not statistically significant at the level of 5%. This result is in consonance with the work of Tomola, Adebisi & Olawale (2012) who employed co-integration and vector error correction model (VECM) techniques to determine the link between bank lending, economic growth and manufacturing sector in Nigeria. The finding of the study revealed that manufacturing capacity utilization and bank lending rates significantly affect manufacturing output in Nigeria. This means that the growth of manufacturing output has not been enough to generate sizeable growth in the economy.

Evidence from the short-run relationship as presented in Table 4.5 shows that CIT and MCAUT are not statistically significant at 5 per significant level. The VAT is observed to be positively related to output in the manufacturing sector. The implications of the result revealed that fiscal measures via taxation and expenditure have not enhanced the productive capacity of the manufacturing sector most especially in the long-run in Nigeria.

Conclusion and Policy Recommendations

From the ARDL model, several interesting conclusions are drawn. The Bound test was used to establish the long-run relationship as presented in Table 4.3, since the calculated F-statistics is greater than the upper bounds at the levels of 1 per cent, 2.5 per cent, 5 per cent and 10 per cent. Evidence from the long-run result as presented in Table 4.4, shows that company income tax (CIT) is statistically significant at the level of 5% and it is

negative to the manufacturing sub-sector output in Nigeria under the reviewed period and this is not desirable because it will reduce the investment through reduction in user cost.

Government investment (GINVEXP) is statistically significant at the level of 5% though having negative on the manufacturing subsector output; Interest rate (INT) has a negative relationship with the dependent variable (MO) though statically significant at 5% level with 15%. Manufacturing capacity utilization exerts a positive relationship with manufacturing output in Nigeria.

Based on the findings and conclusion of the study, the following recommendations were made:

Government should be sensitive to the variables in the tax environment (Company Income Tax) and other macro-environmental factors so as to enable the manufacturing sector cope with the ever changing dynamics of the manufacturing environment; government should increase its expenditure on infrastructural development to improve manufacturing capacity utilization (MCU) rate and encourage huge investments in the country, as this will have a multiplier effect on manufacturing sub-sector output activities and production capacity of the manufacturing company; On interest rate government through banking sector in Nigeria should reduce interest rate so that company can have access to loan in order to boost manufacturing output in Nigeria, Larger percentage of government investment expenditure in the annual budget should be on capital component coupled with improved implementation of expenditure policies rather than recurrent expenditure which does not really have a significant impact on the manufacturing sector.

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