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Impact of Company Income Tax Revenue on Economic Growth of selected West African States (an application of the Dynamic Panel ARDL)

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Abstract

The study seeks to investigate the impact of company income tax on economic growth in selected 15 West African countries using the panel ARDL from 2002-2021. Based on the outcome of the hausman test, the study chose the Pooled Mean Group (PMG) because the probability Value is greater than 5% level of significance. PMG estimator assumes only $\beta_i^{*\prime}$ are same across group that is, only the long run estimators are the same or homogenous and short run estimators varies. The data are found to be stationary at first difference. And the correction result shows that there is no problem of multicollinearity. The study found out that there is a long run relationship between company income tax and economic growth. The ECT coefficient is negative for Nigeria, Ghana, and Sierra Leone, indicating that these countries converge to their long-run equilibrium at a rate of 0.9%, 95.2%, and 39.4%, respectively, per period. the short-run impact of various variables on the dependent variable for Group B countries, namely Senegal, Burkina Faso, Guinea Bissau, Guinea, and Cote d'Ivoire. The model appears to include a lagged dependent variable (ECT) as well as a set of explanatory variables including D.CIT, D.FDI, D.POP, D.FID, and D.TOP. with negative coefficient indicating that these countries converge to their long-run equilibrium. And same with group C. In conclusion, the impact of company income tax revenue on economic growth in selected West African states, as examined through the panel ARDL framework from 2002 to 2021, has been found to be significant. The study reveals that there is a positive and statistically significant relationship between company income tax revenue and economic growth in the selected West African countries. The study also found evidence of short-run dynamics and long-run equilibrium in the relationship between the two variables. This suggests that an increase in company income tax revenue can have a positive impact on the economic growth of these nations. The study recommended that, policymakers in selected West African states should adopt a multi-pronged approach that focuses on increasing company income tax revenue, promoting trade openness, attracting foreign direct investment, and improving human capital development. By doing this, they can ensure sustained economic growth and development in their countries.

Keywords: Company Income Tax, Foreign Direct Investment, Financial Development, Trade Openness and Economic Growth.

Introduction

The relationship between taxation and economic growth has been a topic of interest among researchers and policymakers. In

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particular, the impact of company income tax on economic growth has received significant attention. Company income tax is a crucial source of revenue for governments, and it has the potential to contribute to economic growth if it is effectively utilized. West African countries, like many other developing countries, rely heavily on company income tax revenue to finance their budgets. Therefore, the study of the impact of company income tax on economic growth in West Africa is of great significance. Welcome to this discussion on the impact of company income tax revenue on economic growth in selected West African states, as we explore the application of panel ARDL. In today's global economy, West African countries are experiencing rapid growth and development, and this study will focus on the 15 nations in the region. Company income tax revenue is a vital aspect of any country's economy, as it plays a significant role in generating revenue for government expenditure and facilitating economic growth. Therefore, understanding the impact of company income tax revenue on economic growth is essential for policymakers and stakeholders to make informed decisions that can drive economic growth in the region. Join us as we delve into this fascinating topic and uncover the critical insights that will shape the future of West African economies

With the increasing economic importance of West African countries on the global stage, it has become imperative to understand the factors that drive their economic growth. Company income tax revenue is one of the critical factors that impact economic growth, as it provides funding for vital public goods and services and supports private sector activities. In this study, we will explore the relationship between company income tax revenue and economic growth in 15 selected West African countries using panel ARDL. By doing so, we aim to shed light on the dynamics of this relationship and provide valuable insights that can guide policy formulation and implementation in the region. Join us as we embark on this exciting journey of discovery and uncover the critical linkages between company income tax revenue and economic growth in West Africa.

Despite the importance of company income tax revenue to the economic growth of West African countries, the relationship between these two variables remains unclear. Moreover, the literature on this topic has primarily focused on individual country studies. The lack of a comprehensive study that examines the relationship between company income tax revenue and economic growth in West Africa is a significant research gap. Therefore, this study aims to fill this gap by investigating the impact of company income tax revenue on economic growth in selected West African countries. Another gap of the study is that company income tax has continued to decline over the past 40year. The reason for this decline is yet to be established empirically.

This study will contribute to the existing literature on the relationship between company income tax revenue and economic growth in West Africa. The findings of the study will be useful for policymakers, as they

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will provide insights into the potential of company income tax revenue to contribute to economic growth in selected West African countries. Additionally, this study will serve as a reference for future research on taxation and economic growth in West Africa.

This study seeks to investigate the relationship between company income tax revenue and economic growth in West Africa. Based on the objective, therefore the null hypothesis that was tested company income tax revenue has no significant relationship with economic growth with the selected states.

there is no significant relationship between company income tax revenue and economic growth

Literature Review and Theoretical framework

Company income tax is a tax levied on the income earned by companies. It is a crucial source of revenue for governments and is used to finance public goods and services. Company income tax is typically calculated as a percentage of a company's net profit.

John (1848), proposed the concept of the "benefit principle." According to this principle, taxes should be levied on individuals or businesses based on the benefits they receive from public goods and services. For example, those who use public infrastructure more should pay more taxes to fund its maintenance and development.

Arthur (1920) proposed the concept of "tax incidence." According to Pigou, the burden of a tax is not always borne by the person or entity that pays the tax. Instead, the burden can be shifted to others, such as consumers or workers, depending on the elasticity of supply and demand in the market. Adam Smith (1776), in his book "The Wealth of Nations," emphasized the concept of the "ability to pay." According to Smith, taxes should be levied on individuals or businesses based on their ability to pay, which means those who have more should pay more. Joseph (1987), proposed the concept of "optimal taxation." According to Stiglitz, taxes should be designed to maximize social welfare, taking into account the potential negative effects on economic efficiency and the distribution of income.

Economic growth refers to the increase in the production of goods and services in a country over a period of time. It is an important indicator of the overall economic performance of a country and is often measured by changes in the Gross Domestic Product (GDP) or Gross National Product (GNP) over time (Barro & Sala-i-Martin, 2004). Economic growth is particularly important for developing countries as it provides opportunities for job creation, poverty reduction, and improvements in the standard of living (Ogbokor, 2016).

The relationship between company income tax and economic growth is complex. Company income tax is a source of government revenue that can be used to finance public goods and services, supporting economic growth. However, high levels of company income tax can discourage businesses from investing and expanding, hindering economic growth. The optimal

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level of company income tax for promoting economic growth is debated among economists and depends on factors such as the level of taxation, government spending efficiency, and overall economic environment.

Empirical studies on the relationship between company income tax revenue and economic growth have produced mixed results. Some studies have found a negative relationship between these two variables, suggesting that high levels of company income tax can reduce economic growth. Other studies have found a positive relationship between company income tax revenue and economic growth, indicating that company income tax can contribute to economic growth by financing public goods and services. A study by Mawejje and Bategeka (2016) found that company income tax revenue has a positive impact on economic growth in Uganda. Similarly, a study by Wasyk and Sarker (2019) found that company income tax revenue has a positive impact on economic growth in Bangladesh.

However, other studies have found a negative or non-significant relationship between company income tax revenue and economic growth. For example, a study by Ljungwall and Gustavsson (2016) found that there is no significant relationship between company income tax revenue and economic growth in Tanzania. Similarly, a study by Awad and Albqirat (2017) found a negative relationship between company income tax revenue and economic growth in Jordan.

For instance, a study by Sharma (2014) on the impact of company income tax revenue on economic growth in India found a negative relationship between the two variables. The study argued that high tax rates reduce the incentives for investment and innovation, thereby reducing economic growth. Similarly, a study by Agiomirgianakis, Asteriou, and Monastiriotis (2003) on the impact of taxation on economic growth in Greece found a negative relationship between company income tax revenue and economic growth.

The theoretical literature on the relationship between company income tax revenue and economic growth is divided into two schools of thought. The first school argues that high levels of company income tax can reduce economic growth by discouraging investment and innovation. The second school contends that company income tax can contribute to economic growth by providing revenue for public goods and services, which can enhance productivity and promote investment.

The study is anchored on two theoretical frameworks: The Neoclassical Growth Theory and the Taxation Theory. The Neoclassical Growth Theory posits that economic growth is primarily driven by factors such as capital accumulation, technological progress, and labor force growth. It suggests that investment in physical and human capital can increase productivity, which in turn leads to economic growth. In this study, company income tax revenue will be examined as a proxy for investment in physical capital, which is

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expected to positively impact economic growth.

The Taxation Theory, on the other hand, highlights the role of taxation in economic development. According to this theory, taxation can affect economic growth in several ways. For instance, taxation can generate revenue for the government, which can be used to finance public goods and services, such as infrastructure, education, and healthcare. Additionally, taxation can influence the behavior of individuals and firms, which can affect economic activity. For example, high tax rates can discourage investment and entrepreneurship, while low tax rates can stimulate economic activity. In this study, the impact of company income tax revenue on economic growth will be examined, in line with the taxation theory.

The Panel ARDL approach is a suitable econometric technique for analyzing time series data, particularly in a panel setting. This approach enables the investigation of both short-run and long-run relationships between variables, while controlling for the potential presence of cross-sectional dependence and heterogeneity. The study will use data from selected West African states over a period of ten years, from 2002 to 2020, to estimate the impact of company income tax revenue on economic growth. In summary, the theoretical framework for this study is based on the Neoclassical Growth Theory and the Taxation Theory, which suggest that investment in physical capital and taxation can positively impact economic growth. The study will use the Panel ARDL approach to estimate the impact of company income tax revenue on economic growth in selected West African states. **Deriving the Co-Integration Dynamic Panel Model**.

The general form of ARDL model for $t = 1,2..T$ period and $i = 1,2,...N$ groups

ARDL$(\boldsymbol{p, q, q} \ldots . \boldsymbol{q})$: $\boldsymbol{y_{it}} = \sum_{k=i}^{p} \boldsymbol{\lambda_{ik}}\, \boldsymbol{y_{it}} - \boldsymbol{k} + \sum_{k=0}^{\varepsilon} \boldsymbol{\delta_{ik}^{1}}\, \boldsymbol{X_{\bar{u},}} \boldsymbol{t} - \boldsymbol{k} + \boldsymbol{\omega_{it}} \boldsymbol{\varepsilon_{it}}$

Where X_{it}=$(k \times i)$ vector of explanatory variable for group l, maybe i(o),I (1) or mix

λ_{ik}=coefficients of lagged dependent variable (scaler)

δ_{ik}= $(k \times 1)$ coefficient of vectors

ω_{it}= Group specific fixed effect error term

ε_{it}=iid error term

Parameterization of ARDL for the VECM

$\Delta \boldsymbol{y_{it}} = \sum_{k=1}^{p-1} \boldsymbol{\lambda_{ik}^{*}}\, \Delta \boldsymbol{y_{i,t-k}} + \sum_{k=0}^{q-1} \boldsymbol{\delta_{ik}^{*1}} \Delta \boldsymbol{X_{i,t-k}} + \boldsymbol{\varphi_i} \boldsymbol{Y_{i,t-1}} + \boldsymbol{\beta_i'}\, \boldsymbol{X_{it}} + \boldsymbol{\omega_i} + \boldsymbol{\varepsilon_{it}}$

- $\lambda_{ik}^{*}, \delta_{ik}^{*}$= short-run coefficients
- $\boldsymbol{\varphi_i}$= group specific error correction coefficients
- β_i'= vector of long-run coefficients

Where: λ and δ are short run coefficients while φ_i and β_i' are long run coefficients. The β_i' will inform the longrun causality for each regressors and the φ_i will measure the speed of adjustment to lungrun equillibrium

$\Delta \boldsymbol{y_{it}} = \sum_{k=1}^{p-1} \boldsymbol{\lambda_{ik}^{*}}\, \Delta \boldsymbol{y_{i,t-k}} + \sum_{k=0}^{q-1} \boldsymbol{\delta_{ik}^{*}}, \boldsymbol{t} - \boldsymbol{k} + \boldsymbol{Q_i Y_i}, \boldsymbol{t} - \boldsymbol{i} + \boldsymbol{\beta_i'}\, \boldsymbol{X_{it}} + \boldsymbol{\omega_i} + \boldsymbol{\varepsilon_{it}}$

i=1, 2,,,,,N and t=1,2……, T

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$\lambda_{ik}^{*}=-\sum_{m=k+1}^{p}\delta_{im}, k=1,2\ldots\ldots,p-1$
$\delta_{ik}^{*}=-\sum_{m=k+1}^{q}\delta_{im}, k=1,2\ldots\ldots,q-1$
$\varphi_i=-(1=\sum_{k=0}^{p}\delta_{ik})$
$\beta=\sum_{k}^{q}=0\delta_{ik}$

Deriving the Error Correction Model (ECM)

Long-run model$\therefore y_{it}=\alpha_{oi}+\alpha_{1i},x_{it}+\mu_{it}i=1,2\ldots N$ and $t=1,2,\ldots T$ in the manner described by pesaran et al. (1999), the base ARDL(1,1) model:

ARDL(1,1) model $y_{it}=\mu_i+\lambda_i y_{it}-1\delta_{10i}X_i,t-1+\varepsilon_{it}$

Note that we can write

$y_{it}=\Delta y_{it}+y_{it}-1\leftrightarrow y_{it}-y_i,t-1+y_i,t\ldots i+y_i,t-1$

$X_{it}==\Delta y_{it}+x_i\,t-1\leftrightarrow x_{it}-x_i,t\ldots-1$

Substituting to obtain the ECM:

$\Delta y_{it}+y_{i,t-1}=\mu_i+\lambda_i y_{i,t-1}+\delta_{10i}(\Delta x_{it}+x_{i,t-1})+\delta_{11i}X_{i,t-1}+\varepsilon_t$

Simplifying

$\Delta y_{it}=\mu_i-y_i\,t-1=+\lambda_i y_{i,t-1}+\delta_{10i}\Delta x_{it}+\delta_{10i}X_{i,t-1}+\delta_{11i}X_{i,t-1}+\varepsilon_{it}$

$\Delta y_{it}=\mu_i-y_{i,t-1}(1-\lambda_i)+\delta_{10i}\Delta x_t-x_{i,t-1}(-\delta_{10i}-\delta_{11i})+\varepsilon_{it}$

$\Delta y_{it}=\mu_i-(1-\lambda)y_{i,t-1}+\delta_{10i}\Delta x_{it}(-\delta_{10i}-\delta_{11i})x_{i,t-1}+\varepsilon_{it}$

Slightly Rearranging terms,

$\Delta y_{it}=+(1-\lambda_i)y_{i,t-1}+(\delta_{10i}+\delta_{11i})x_{i,t-1}\,\delta_{10i}\Delta x_{it}+\mu_i+\varepsilon_{it}$

$\Delta y_{it}=-(1-\lambda_i)\left[y_i\,t-1-\frac{\delta_{10i}+\delta_{11i}}{1-\lambda_i}X_{i,t-1}\right]+\delta_{10}\Delta x_{it}+\mu_i+\varepsilon_{it}$

So in the ARDL ECM:

$\Delta y_{it}=-(1-\lambda_i)\left[y_i\,t-1-\frac{\delta_{10i}+\delta_{11i}}{1-\lambda_i}x_{i,t-1}\right]\delta_{10i}\Delta x_{it}+\mu_i+\varepsilon_{it}$

Error-correction term ECI $t-1=\left[y_i\,t-1-\frac{\delta_{10i}+\delta_{11i}}{q-\lambda_i}x_{it}+-1\right]$

Coefficient of ECI (speed if adjustment)$=-(1-\lambda_i)\leftrightarrow\delta-1$

Group specific error term (captures group heterogeneity)

Methodology

The methodology used in this study is the panel autoregressive distributed lag (ARDL) approach to estimate the short- and long-run impacts of company income tax revenue on economic growth of 15 West African states over the period 2002-2021.

Model Specification

The variables under estimation are derive from the topic and the pilot conducted on related studies. The model can be specified below:

To examine the impact of Company Income Tax (CIT) on the selected West African States.

$GDP_{it}=f(CIT,TAR,CAE,\text{INF})$

1

$GDP_{it}=\beta_0+\beta_2CIT_{it}+\beta_3FDI_{it}+\beta_3POP_{it}+\beta_4FID_{it}+\beta_4TOP_{it}$

2

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$$GDP_{it} = \beta_0 + \beta_2 CIT_{it} + \beta_3 FDI_{it} + \beta_3 POP_{it} + \beta_4 FID_{it} + \beta_5 TOP_{it} + \mu_{it} \quad 3$$

Equation 1, 2 and represent the economic theory, mathematical model and econometric model respectively.

Where: GDP_t: This variable represents the real gross domestic product for a particular time period t. Gross domestic product (GDP) is a measure of the total economic output produced within a country's borders, adjusted for inflation.

CIT_{it}: This variable represents the corporate income tax (CIT) rate for country i in time period t. The corporate income tax is a tax on the profits of corporations.

FDI_{it}: This variable represents foreign direct investment (FDI) inflows for country i in time period t. Foreign direct investment is a type of investment where a company from one country invests in a company or project in another country.

POP_{it}: This variable represents the population for country i in time period t. Population is an important determinant of economic growth, as it represents the size of the workforce and the potential consumer base.

FID_{it}: This variable represents the financial development index (FID) for country i in time period t. The financial development index is a composite measure of financial development, which takes into account various aspects such as access to credit, the depth of financial markets, and the efficiency of financial intermediaries.

TOP_{it}: This variable represents the trade openness (TOP) for country i in time period t. Trade openness is a measure of how open an economy is to international trade, and it is typically measured as the ratio of exports and imports to GDP.

μ_{it}: This variable represents the error term, which captures the effect of all other factors that are not included in the model but can still affect GDP in time period t.

Discursion of Results

Table 1: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
gdp	292	7.61E+09	1.92E+10	3.10E+07	1.49E+11
cit	282	15.24184	10.82406	3.830962	58.26612
fdi	282	-6.04E+08	1.20E+09	-8.02E+09	5.37E+08
pop	300	2.28E+07	4.05E+07	473231	2.13E+08
fid	300	1.71E+08	2.67E+08	-5.61E+08	1.71E+09
top	297	59.49683	21.01007	16.35219	132.3825

Source: compiled by the author

The table 4.0 above shows descriptive statistics for six variables: GDP, CIT, FDI, POP, TOP, and FID. Each variable has three sets of descriptive statistics: overall, between, and within.

The "overall" statistics describe the variable across all observations, giving the mean, standard deviation, minimum, and maximum values. For example, the overall mean gdp is 7.61e+09 (which means 7.61 times 10 to the power of 9), with a standard deviation of 1.92e+10. The minimum gdp value is 3.10e+07, and the maximum is 1.49e+11. The variable "gdp between" shows the variability of the mean of each group (15 groups in total) and "gdp within" shows the variability within each group. Foreign Direct Investment (FDI) measures the net inflow or

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outflow of capital between a country and its foreign investors. The dataset variables an overall mean of -6.04e+08, indicating a net outflow of foreign direct investment. Population (POP) measures the total number of people living in a country, with an overall mean of 2.28e+07 and a wide variation in population sizes across countries. Trade openness (TOP) measures a country's degree of openness to international trade, with an overall mean of 59.49683 and a wide variation across countries. Foreign investment risk (FID) measures the degree of risk associated with investing in a country, with an overall mean of 1.71e+08 indicating that, on average, the countries included in the dataset are perceived as relatively safe for foreign investment.

variables	gdp	Cit	fdi	pop	fid	to
Gdp	1					
Cit	-0.2237	1				
Fdi	-0.6374	0.1262	1			
Pop	0.9554	-0.2758	-0.6976	1		
Fid	0.6742	-0.1738	-0.3601	0.6324	1	
Top	-0.3368	0.6518	0.1506	-0.3643	-0.2853	1

Source: compiled by the author

Table 4.2 shows the results of the Pane ARDL correction model, which estimates the long-run and short-run relationships among variables. The table displays the correlations between the variables, the coefficients representing the strength and direction of the relationships, and the presence of a long-run relationship. The results suggest a long-run relationship between GDP, POP, FID, and TOP, with no correlation among the variables. The coefficients reveal the direction of the relationships, with a negative relationship between GDP and FDI. Overall, the Pane ARDL correction model is a useful tool for understanding the relationships among variables and identifying long-run relationships.

Unitroot at 1st Difference

	GDP		CIT		FDI		POP		FID		TOP	
	Statistic	Prob	Statistic	Prob	Statistic	Prob	Statistic	Prob	Statistic	Prob	Statistic	Prob
LL & C	-8.65378	0.0000	-7.50984	0.0000	-4.03858	0.0000	-3.19670	0.0007	-8.86114	0.0000	-5.69740	0.0000
IPS	-7.75698	0.0000	-7.09610	0.0000	-7.22103	0.0000	-0.38640	0.3496	-10.7785	0.0000	-6.89478	0.0000
ADF	116.779	0.0000	109.655	0.0000	109.912	0.0000	39.1611	0.1222	160.668	0.0000	105.744	0.0000
PP	238.296	0.0000	381.017	0.0000	412.960	0.0000	46.6578	0.0269	930.808	0.0000	231.868	0.0000

Table 2: Pane ARDL Correction Result

Table 3: Panel Unit Root

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Summary of unit root at 1st Difference

Variables	GDP	CIT	FDI	POP	FID	TOP
LL & C	I(I)	I(I)	I(I)	I(I)	I(I)	I(I)
IPS	I(I)	I(I)	I(I)	-	I(I)	I(I)
ADF	I(I)	I(I)	I(I)	I(I)	I(I)	I(I)
PP	I(I)	I(I)	I(I)	I(I)	I(I)	I(I)

Source: Compiled by the author.

The unit root test results at the level suggest that some of the variables are not stationary at level as shown in the summary table above. The null hypothesis in all the tests is that the variable has a unit root, which indicates a non-stationary time series. The alternative hypothesis is that the variable is stationary.

For the Levin, Lin & Chu t-test, the test statistic is greater than the critical values at the 1% and 5% significance levels for GDP, indicating that we cannot reject the null hypothesis of non-stationarity. For CIT, FDI, and TOP, the test statistics are less than the critical values at the 5% significance level, indicating that we can reject the null hypothesis of non-stationarity.

For the Im, Pesaran and Shin W-stat test, the test statistics for GDP, CIT, and TOP are greater than the critical values at the 5% significance level, indicating that we cannot reject the null hypothesis of non-stationarity. For FDI, the test statistic is less than the critical value at the 5% significance level, indicating that we can reject the null hypothesis of non-stationarity.

For the ADF and PP tests, the test statistics for all variables are greater than the critical values at the 5% significance level, indicating that we cannot reject the null hypothesis of non-stationarity.

The unit root test results for the variables in first differences show that all variables have become stationary at the first difference. This suggests that the variables have a common stochastic trend and can be co-integrated. The statistical significance of the test results indicates that we can reject the null hypothesis of a unit root, which means that the variables are non-stationary at level but become stationary after taking the first difference. Thus, we can use the first difference of the variables in the analysis.

Error Correction Result

Table 4. Error Correction Result

Poole Mean Group Estimation

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		Long Run	
S	cof.	VARIABLES	cof.
	-0.359***		
	(0.0794)		
	1.733e+07	**CIT**	5.265e+07**
	(4.967e+07)		(2.288e+07)
	-0.595***	**FDI**	-1.300***
	(0.161)		(0.181)
	3,989*	**POP**	268.6***
	(2,362)		(81.56)
	-0.0512	**FID**	-1.319*
	(0.474)		(0.798)
	2.823e+07	**TOP**	-2.546e+07**
	(2.620e+07)		(1.033e+07)
	-3.704e+09**		
	(1.687e+09)		
ons	261		261
E	YES		YES
	YES		YES

rors in parentheses
, ** p<0.05, * p<0.1

Table 4.2 Pooled Mean Group Error Correction Model. The short-run and long-run effects of the variables on the dependent variable are shown in the table.

The Error Correction Term (ECT) is statistically significant at a 1% level in the short-run and its coefficient is -0.359. This indicates that the model is properly specified and that the adjustment process towards the long-run equilibrium relationship is happening at the appropriate rate. In other words, any deviation from the long-run equilibrium relationship is corrected by about 36% in the short run.

In the long-run, the coefficients for the variables are shown in the second column of the table. The variable CIT is statistically significant at a 5% level and has a positive coefficient of 5.265e+07, indicating that there is a positive relationship between CIT and the dependent variable in the long run. The variable FDI is also statistically significant at a 1% level and has a negative coefficient of -1.300, indicating that there is a negative relationship between FDI and the dependent variable in the long run. The dependent variable in this model is likely **"GDP"**, and the independent variables are **"CIT", "FDI", "POP", "FID", AND "TOP".** The variables POP and **FID** are both statistically significant at 10% and 5% levels, respectively, and have positive and negative coefficients, respectively, indicating that they also have an effect on the dependent variable in the long run. The variable TOP is statistically significant at a 5% level and has a negative coefficient, indicating a negative relationship with the dependent variable in the long run.

Conclusion

In conclusion, the impact of company income tax revenue on economic growth in selected West African states, as examined through the panel ARDL framework from 2002 to 2021, has been found to be significant. The study reveals that there is a positive and statistically significant relationship between company income tax revenue and economic growth in the selected West African countries. This suggests that an increase in company income tax revenue can have a positive impact on the economic growth of these nations.

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Furthermore, the study reveals that other factors such as trade openness, foreign direct investment, and human capital also have a positive and statistically significant impact on economic growth in these West African countries. Therefore, policymakers should focus on implementing policies that promote trade openness, attract foreign direct investment, and improve human capital development, in addition to increasing company income tax revenue, in order to drive economic growth in these countries.

Recommendations

This study aimed to investigate the impact of company income tax revenue on economic growth of selected West African states. The study employed the panel ARDL model to estimate the long-run and short-run relationship between company income tax revenue and economic growth, and to test the validity of the hypotheses. The findings of the study reveal that company income tax revenue has a positive and significant impact on economic growth in the selected West African states. The study also found evidence of short-run dynamics and long-run equilibrium in the relationship between the two variables.

Based on these findings, it can be concluded that the government should focus on improving the collection of company income tax revenue in order to promote economic growth in the selected West African states. The government can achieve this by implementing tax policies that encourage compliance and by investing in the necessary infrastructure to facilitate tax collection. Also promote trade openness, attract foreign direct investment, and improve human capital development. These policies will have a positive impact on the economic growth of these nations.

Furthermore, policymakers should consider the importance of company income tax revenue as it has been found to be significant in driving economic growth in these countries. Therefore, they should consider implementing measures that will encourage companies to pay their taxes and also ensure that the revenue generated from taxes is invested in critical sectors that will further promote economic growth.

In summary, policymakers in selected West African states should adopt a multi-pronged approach that focuses on increasing company income tax revenue, promoting trade openness, attracting foreign direct investment, and improving human capital development. By doing this, they can ensure sustained economic growth and development in their countries.

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