

## Effect of Value Added Tax on Central Bank of Nigeria's Financial Inclusion Strategy

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### Abstract

Although financial inclusion in Nigeria has progressed significantly, the country still lags behind other peer-level countries in many of the indicators of inclusion. Credit penetration as an index of financial inclusion is worse in Nigeria compared to other peer countries. Value-Added Tax (VAT) is an indirect tax with an impressive performance in price stability and economic growth in all countries where it has been introduced. This study evaluated the effect of VAT on Central Bank of Nigeria's financial inclusion strategy, specifically concerning payment attitude, point of sale (POS) use, and attitude to save. The study adopted a descriptive research design, a nonprobability judgment sample of 140 participants extracted from customers of 5 deposit money banks in JOS north local government of Plateau state who responded to a re-validated 5 points Likert scale questionnaire. Data were analyzed using quantitative techniques of spearman ranking correlation with aid of SPSSv25 to test the hypotheses. Results of statistical data analyses showed that VAT Scheme has a significant effect on payment attitude; VAT scheme has a significant effect on POS use, and VAT scheme has a significant effect on attitude to save in the Nigerian banking industry. The study concluded that a probable cause of the statistically significant positive relationships is the efficient provision of financial services despite the VAT charged. The study recommended that needed infrastructure should be put in place for the achievement of the Central bank of Nigeria's financial inclusion strategy. Security measures should be put in place to further safeguard financial inclusion channels, and awareness should be created among citizens, groups, and associations on the inherent benefits of financial inclusion.

**Keywords:** *VAT, Inclusion, Strategy*

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### **Background to the Study**

There is currently high energy activity by policymakers in pursuing financial inclusion. This is because it has been shown that countries with higher degrees of financial inclusion tend to post higher economic growth Khan (2011). The CBN in this strategy document defines financial inclusion as "... when adult Nigerians have easy access to a broad range of formal financial services that meet their needs at an affordable cost." It was important for the CBN to ensure that individuals could make payments with ease, increase their savings, and have access to various POS to make it easier to acquire goods and services (Zulkhbir, 2016). The Apex bank has for the last 6 years promulgated policies to guide and regulate the financial industry in attaining the desired targets set within the documents and it has been largely successful at it.

Today, many nation-states of the universe, especially developing countries like Nigeria, selectively introduced new forms of taxes to boost their revenue capacity to improve the socio-economic conditions of their citizens and achieve rapid economic development of the countries (Iorun, 2012). Value-Added Tax (VAT) is an indirect tax with the impressive performance in price stability and economic growth in all countries where it has been introduced. Recently, the Federal Executive Council approved an increase of Value Added Tax (VAT) from 5% to 7.2%, which will be enforced by the Federal Inland Revenue Services. VAT is a consumption tax imposed on goods and services, payable to the Federal Government. It is quite clear that the implementation of online VAT will affect payment, savings, and the use of POS in the Nation.

This may just mean the death of online transactions, given that the Banks will go all out to implement VAT on online transactions; and Nigerians who are naturally reluctant to pay taxes, as it is believed that there is a lack of transparency on the use of taxes, would rather walk into a shop to buy the same item for less VAT. The FIRS is yet to come up with an efficient process for collecting VAT and withholding tax from shop owners, and implementation of the proposed online VAT will be to the detriment of the striving online market which has grown, owing to the efforts of the Central Bank of Nigeria's (CBN) cashless policy and the National Financial Inclusion Strategy.

Financial inclusion strategies aim at increasing the number of people with accounts in banks and other formal financial institutions especially in the area of Payment, POS, and Savings, hindered just as the target year of 2030 is around the corner unless properly managed (EFInA survey (2018)). There is a need for an adequate method of capturing remittance of VAT, the FIRS must strive to find a balance in implementing online VAT (be it the current or new rate) in a manner that does not jeopardize the ability for Adult Nigerians to have access to financial products at an affordable rate and should only implement online VAT when it has been able to educate the public on the scope, and its impact on customers, fintech companies and the banks.

### **Statement of the Problem**

Although financial inclusion in Nigeria over time has progressed, the country still lags other peer-level countries in many of the indicators of inclusion. In the period, 2010 to 2018 the percentage of completely excluded fell from 46 to 37, while those served by the informal sector fell from 24 to 15 EFInA survey (2018). At the same time, formal other<sup>1</sup> doubled from 3 to 9 % and formally banked rose from 21 to 37% EFInA survey (2018).

Comparatively, Nigeria has a formal payments penetration of 21.6 percent that is lower than the level of 46% in both South Africa and Kenya. In terms of access to savings products, Nigeria has 461 savings accounts per 1000 and this poorly compares with 2,063 savings accounts per 1000 in Malaysia (World Bank. 2015). Credit penetration as an index of financial inclusion is worse in Nigeria compared to other peer countries. It posts only 2% access to formal products that is a far cry from 32% in South Africa. Also, insurance penetration in South Africa is about 30% and only 1% in Nigeria. These comparisons are intended to show a clear picture of where the country is in terms of financial inclusion. The government on its part, with the instrumentality of the CBN, has set specific targets with accompanying actionable plans to advance financial inclusion in the country. Therefore, it is on this premise that this study seeks to examine the effect of value added tax (VAT) on the central bank of Nigeria's financial inclusion strategy adopting Payment, POS, and Savings as indices of financial inclusion.

### **Research Objectives**

The major objective of this study is to evaluate the effect of value added tax (VAT) on the central bank of Nigeria's financial inclusion strategy. Other objectives are:

1. To ascertain the effect of value added tax (VAT) on payment attitude in Nigeria.
2. To evaluate the effect of value added tax (VAT) on the use of POS in Nigeria.
3. To examine the effect of value added tax (VAT) on attitude to save in Nigeria.

### **Research Hypotheses**

**H<sub>0</sub><sub>1</sub>:** Value added tax (VAT) has no significant effect on payment attitude in Nigeria.

**H<sub>0</sub><sub>2</sub>:** Value added tax (VAT) has no significant effect on the use of POS in Nigeria.

**H<sub>0</sub><sub>3</sub>:** Value added tax (VAT) has no significant effect on attitude to save in Nigeria.

### **Significance of the Study**

The likely beneficiaries of this research are:

1. **Academicians:** This work will be relevant to academicians who wish to carry out further research work on value added tax and financial inclusion in Nigeria.
2. **Stakeholders:** The study will also be helpful to various stakeholders such as customers, board of directors, and shareholders in the banking industry who are interested in long-term strategies for the profitability of deposit money banks.
3. **Policymakers:** this study will give direction to policymakers such as the government, regulatory agencies, and non-governmental agencies in providing pertinent information for policymaking, planning, and surveillance, and regulation in the industry.

### **Literature Review**

#### **Conceptual Review Value Added Tax in Nigeria**

Bird (2005), defined value added tax as a multi-stage tax imposed on the value added to goods and services as they proceed through various stages of production and distribution and to services as they are rendered" which is eventually borne by the final consumer but collected at each stage of production and contribution chain. Jones (2003), also describes VAT as a tax

levied at each stage of a supply chain. In the case of manufactured items, this could be at the primary producer, manufacturer, wholesaler, and retailer stages. It is ultimately borne by the consumer who is registered for VAT regulation purposes but is unable to reclaim it.

VAT regulation has become a veritable source of revenue in many developing countries in Sub-Saharan Africa; it has been introduced in several countries (Whenkroff, 2003). In Nigeria, VAT regulation is charged at a flat rate of 5% on selected items of goods and services. (Ajakaiye 2000). The rationale behind the adoption of VAT in Nigeria can be summarized as the need to achieve: Simplification of the indirect tax system, Enhancement of tax neutrality in international trade, Reduction in tax evasion, and Expansion of tax base promotion and investment. There are four basic methods of taxing value added. They are the direct additive method, indirect additive method, a subtractive method, and indirect subtractive method.

### **Central bank of Nigeria's financial inclusion strategy**

The Nigerian Government in 2012 launched the Nigerian National Financial Inclusion Strategy (NFIS) with the sole aim of reducing the millions of people excluded from formal financial services from 46.3% to 20% by the year 2020 (NFIS, 2012). Mahendra (2006), defined financial inclusion as the availability of banking services at an affordable rate to the large segment of the vulnerable and low-income groups. Hariharan and Marktanner (2012) defined financial inclusion as access to formal financial services such as credit, savings, and insurance opportunities.

According to Okoye et al, (2017), and Martinez (2011), access to finance can stimulate inclusive growth when such funds are readily available and affordable to various classes of economic agents for productive and economic ventures. In real terms, the gap between the financially reached and the unreached (banked and unbanked) is enormous in Nigeria even after 58 years of independence and 7 years of launching the Nigeria National Financial inclusion strategy a bulk section of the adult population remains financially excluded. According to Subbarao (2009), financial inclusion is a necessary condition for sustainable and equitable growth.

### **Payment Attitude**

The payment system is an operational network governed by laws, rules, and standards that links bank accounts and provides the functionality of monetary exchange using bank deposits (Summers, 2012). The payment system is the infrastructure consisting of institutions, instruments, rules, procedures, standards, and technical means established to effect the transfer of monetary value between parties discharging mutual obligations. It was important for the CBN to ensure that individuals could make payments with ease. This has led to the introduction of Electronic Payment Systems (EPS) for convenience and safety. Electronic Payment Systems (EPS) has a significant number of economic benefits which include mobilizing savings and ensuring most of the cash available in the country are with banks.

### **Usage of POS**

Point of sale is an outlay where a customer executes the payment of goods and services where sales taxes may become payable. The use of POS terminals to make financial payments in

Nigeria was introduced by the Central Bank of Nigeria (CBN) in 2012 to promote its cashless policy, improve the payment system, and facilitate financial inclusion. It was important for the CBN to ensure that individuals could have access to various POS to make it easier to acquire goods and services. Ever since the introduction, there has been increasing growth in the number of active POS terminals provided by banks to mobile money merchants. POS e-payment channels as a growing financial system that is gaining widespread acceptance in making payments in virtually all business locations in Nigeria today.

### **Attitude to Save**

Savings, in general, are a source of funds with low interest costs in comparison with other commercial funds (Bass & Henderson, 2000). An important role of savings is to, therefore, support and facilitate banks' role in making credit available to the end-users which in turn transforms into domestic investment. Savings is an attitude of refraining from consumption or what may be called deferred consumption; they may be in cash or physical products which may have been set aside for future use. It is imperative for the CBN to ensure that individuals could save with ease and at an affordable cost. Since savings is fundamental to financial inclusion. Subbarao (2009), surmised that financial inclusion provides an avenue for bringing the savings of the poor into the formal financial intermediation system and channel same to investment, adding that a large number of low-cost deposits will offer banks an opportunity to reduce their dependence on bulk deposits and help them manage both liquidity risks and asset-liability imbalances more efficiently.

### **VAT and Payment Attitude**

Delali (2010), noted that the arrival of the internet has taken electronic payments and transactions to an exponential economic growth level. This has prompted the government to request that banks pay VAT on both domestic and international online transactions. The implementation of online VAT regulation will affect payment which in turn truncate the target of achieving 80% financial inclusion by 2030 and payment service vision 2030. The implication of charging vat on payment is that when a product is bought online and such product is purchased via payment gate, the Bank will impose VAT regulation on that transaction. However, what is unclear is whether the Bank will deduct such VAT directly from the sum remitted to the merchant, as it is expected that the merchant's price already contains VAT, or if the Bank will impose it directly on a customer at the point of purchase and remit VAT to a different account.

### **VAT and Use of POS**

According to an online report by Kingston (2018), the use of POS terminals for payments has made Nigerians use less cash for financial transactions more than ever. Recently, the Federal Executive Council approved an increase of Value Added Tax (VAT) from 5% to 7.2%, which will be enforced by the Federal Inland Revenue Services. FIRS on its part has requested Banks to implement VAT regulation on both domestic and international online transactions starting from January 2020. Obviously, the implementation of online VAT will affect the usage of POS in the Nation. Also a recent circular by FIRS to banks "...VALUE ADDED TAX ON FINANCIAL SERVICES" stipulates part of the vat able services of banks to include, "...Fees

charged on electronic banking, POS and ATM charges" (FIRS, 2021, Pg. 3). The big problem here is that when a product is bought online and such product is purchased via a POS, the Bank will impose VAT regulation on that transaction. Also, it is unclear whether the Bank will deduct such VAT directly from the sum remitted to the merchant, as it is expected that the merchant's price already contains VAT, or if the Bank will impose it directly on a customer at the point of purchase and remit VAT to a different account. The charge will be imposed directly on the customer via POS. Where the merchants already have VAT included in the purchase price. One begins to wonder why the Banks would want to bear the cost of adjusting their digital solutions to implement this online VAT regulation.

### **VAT and Attitude to Save**

Savings are by far the most frequent source of funding for banks' startups and expansion. They also enable households to build for the future and better prepare for unexpected emergencies. A recurring question about VAT and attitude to saving is if VAT is charged on savings accounts. Even though what is prevalent in the Nigerian Banking Industry is that some banks have minimum balances for account opening, generally speaking, no bank charges account opening fees. Notwithstanding, banks Currently charge savings account customers for issuance of ATMs, ATM maintenance fees, stamp duties, and statement of account printouts, and a host of other services, all of which have VAT charges embedded in them. With all these, bank customers seemingly are the most taxed group in Nigeria. Therefore, charging online VAT will reduce savings as those with surplus funds to save will prefer to use the informal sector than pay charges for depositing a certain amount. However, the FIRS is yet to come up with an efficient process for collecting VAT and withholding tax on savings, and implementation of the proposed online VAT regulation will be to the detriment of the striving online market which has grown, owing to the efforts of the Central Bank of Nigeria's (CBN) cashless policy and the National Financial Inclusion Strategy.

### **Theoretical Review**

#### **Ability to Pay Theory**

The most popular and commonly accepted principle of equity or justice in taxation is that citizens of a country should pay taxes to the government per their ability to pay. Rather than the benefits principle, the "ability-to-pay principle" generally dominates modern equity discussions. Under the ability to pay principle, one with a higher income should pay more taxes than one with a lower income. It appears very reasonable and just that taxes should be levied based on the taxable capacity of an individual. The fact is that when this theory is put into practice, one difficulty begins. The trouble arises with the definition of ability to pay. The economists are not unanimous as to what should be the exact measure of a person's ability or faculty to pay (Naiyeju, 1996).

#### **Diffusion Theory of Taxation**

According to Sule, (1986), diffusion theory of taxation, tax is levied under perfect competition; it gets automatically equitably diffused or absorbed throughout the community. Advocates of this theory, describe that when a tax is imposed on a commodity by state, it passes on to consumers automatically. Every individual bears the burden of tax according to his ability to

bear it. Assuming a specific tax is imposed on cloth, the manufacturers can raise prices of the commodity by the amount of tax and consumers buy commodity according to their capacity and thus sharing the burden of the tax. In the words of Mansfield: It is true that tax laid on any place is like a pebble falling into a lake and making circles till one circle produces and gives motion to another.

### **Dissatisfaction theory of financial inclusion**

The dissatisfaction theory of financial inclusion argues that financial inclusion activities and programs in a country should first be targeted to all individuals who were previously on boarded into the formal financial sector but left the formal financial sector because they were dissatisfied with the rules of engagement in the formal financial sector, or had other unfavorable personal experiences from dealing with firms and agents in the formal financial sector. This theory suggests that it is easier to bring back people who left the formal financial sector because they were dissatisfied if the areas of dissatisfaction in the formal financial sectors have been completely resolved. It is easier to bring back this group of individuals into the formal financial sector through persuasion than to bring in those who have never been in the formal financial sector. This theory implies that the members of the population that left the formal financial sector should be the first target of financial inclusion before extending financial inclusion policies and programs to other members of the population who have never been on boarded into the formal financial sector. Previously on-boarded individuals may become dissatisfied for several reasons such as when they are victims of financial fraud, debit or credit card fraud, financial theft, long waiting hours before depositors can withdraw funds, taking too long before payments are cleared, high transaction costs, excessive bank charges, etc.

### **Empirical Review**

The empirical review helps in understanding what other related studies have found and suggested. Onwuchekwa and Aruwa (2014), investigated the impact of value added tax on the economic growth of Nigeria. The study used ordinary least square technique to test the hypothesis of the research with data spanning the period 1994-2011. The result revealed that VAT contributes significantly to the total tax revenue of the government and by extension, to the economic growth of Nigeria. It further showed that VAT revenue had consistently increased but it is not that explosive.

Recently, Emmanuel(2021) empirically examined the impact of the Value Added Tax on Nigerian economic growth, a study that also used descriptive statistics and the Ordinary Least Square (OLS) approach for regression analysis to test the hypothesis of data from 2004 to 2019. Gross Domestic Product per Capita was used to quantify economic growth over sixteen years. The study found that Value Added Tax has a significant negative impact on GDP per capita in Nigeria at the 5% level of significance To counteract the negative impact of VAT on GDP per capita, it was suggested that the government ensure that VAT is applied transparently, avoiding inefficiencies such as tax cascading associated with alternative commodity taxes.

Etale and Bingilar (2016), investigated the impact of companies' income tax, value-added tax on economic growth (proxy by gross domestic product) in Nigeria. Secondary time-series panel data was collected for the period 2005 to 2014 from the Statistical Bulletin of the Central Bank of Nigeria (CBN). The study employed Ordinary Least Squares (OLS) technique and Gross Domestic Product (GDP), the dependent variable and proxy for economic growth, was regressed as a function of company income tax (CIT) and value-added tax (VAT), the independent variables. The results of the analysis showed that both company income tax and value-added tax have a significantly positive impact on economic growth. Based on the findings, the study recommended that government should strengthen the tax administration system to broaden the tax income, and embark on tax education to ensure voluntary tax compliance.

Inyiama and Ubesie (2016), examined the effect of Value Added Tax, Customs, and Excise duties on Nigerian Economic growth. Simple regression technique and correlation analyses were employed in their study. The findings from their revealed that all non-oil tax revenue such as Value Added Tax and Custom and Excise Duties have a significant impact on Gross Domestic Product which suggests that some Government projects could be financed through non-oil taxes.

Also, Chigbu (2014) examined the impact of value added tax on the economic growth of Nigeria. The author used relevant secondary data for the period 1994-2012. The data collected were analyzed with relevant econometric tests of Breusch-Godfrey Serial Correlation LM, White Heteroskedasticity, Ramsey RESET, JarqueBera, Johansen Cointegration, and Granger Causality. The findings revealed a long-run equilibrium relationship between economic growth and VAT. It was also found that VAT does granger cause gross domestic product of Nigeria. The paper concluded, based on its findings that VAT is one of the most important components of indirect taxes that affect economic growth in Nigeria.

Clearly, Emmanuel (2013) investigated the effects of VAT on economic growth and total tax revenue in Nigeria. The study used Simple Linear Regression method to analyze time-series data relating to VAT, Gross Domestic Product (GDP), and Total Revenue for the period 1994 to 2010. The researcher also employed the use of SPSS for computation. The results of his findings showed that VAT has a significant effect on GDP and also on Total Tax Revenue.

Chigbu and Ali (2014), empirically analyzed the relationship between VAT and economic growth in Nigeria. Using the Engle and Granger cointegration technique on annual data covering 1994 to 2012, the result of their findings showed that VAT has a positive effect on economic growth. The results also showed the absence of both long-run and short-run relationships between VAT and economic growth.

In addition, Mbutor and Ibrahim (2013), examined the impact of financial inclusion on monetary policy in Nigeria between 1980 and 2012. The result of the study supports the notion that growing financial inclusion would improve the effectiveness of monetary policy. However, the coefficient of the number of bank branches has the wrong sign and this is



explained by the fact that, in opening branches, banks mainly pursue profits but not financial inclusion which is a policy objective, so that there are clusters of branches which are under-utilized while numerous locations which are considered not favorable for balance sheets are under-branched.

Mark (2013), evaluated the effect of agency banking on financial inclusion in Kenya. The study was based on secondary data from the CBK. The sample size was Kenya Banking sector comprising of 13 banks out of 44 commercial banks as of December 2014. Data analysis entailed collection of data, compilation, and editing of data for completeness using e-views statistical software. The study used inferential statistics, normality test, correlation analysis regression analysis, unit root test, and error correction model to investigate the relationship between financial inclusion and agency banking. From the findings, agent banking had a positive and insignificant relationship with financial inclusion. There was no causality between the variables. It was concluded that the financial inclusion initiative did not affect agency banking in Kenya.

J & O (2021), investigated the effects of financial inclusion on economic growth in Nigeria from 1992 to 2018 using an ex-post facto research design. The study examined the relationship between the variables using regression and then examined the effects using the Granger Causality test. The results of the test revealed that currency in circulation has an insignificantly positive relationship as well as a causal effect on economic growth in Nigeria. Likewise, loans extended by rural branches of commercial banks also have a positive and significant relationship and causal effect on economic growth in Nigeria. Deposits of rural branches of commercial banks have a causal effect on GDP in Nigeria and a positive relationship though not significant.

Ozili (2021), analyzed the level of financial inclusion in Nigeria using data from the global index indicators. The findings reveal that Nigeria witnessed growth in several financial inclusion indicators in the early years of financial inclusion in 2014 but the benefits were not sustained in the later years especially in 2017. Nigeria's level of financial inclusion is very low compared to the World average. In the population group analysis, it was observed that the female, poorest, male, older, and uneducated population were worse-off in all indicators of financial inclusion in 2017. The implication of the observed decline in the level of financial inclusion in 2017 suggests that there are barriers to financial inclusion in the post-2014 years.

Also, Naceur, Barajas and Massara. (2015), on the relationship between the development of Islamic banking and finance and financial inclusion in OIC countries and their findings revealed that there is a significant nexus between Islamic finance and financial inclusion at both individual and firms' levels.

Ene et al., (2019) examined the impact of electronic banking on financial inclusion in Nigeria. The study adopted correlational and ex-post facto research designs with the aid of computer-based multiple regression analysis. It was observed that automated teller machines do not significantly impact financial inclusion while point-of-sale devices significantly impact

financial inclusion in Nigeria. In line with the findings of the study, one of its recommendations was that deposit money banks should remove the bottlenecks associated with the use of their auto- mated teller machines and strives to meet international best practices. Finally, Mohieldin, Iqbal, Rostom and Fu (2012) investigate the impact of Islamic banking and finance on financial inclusion in OIC countries and found that Islamic finance plays a significant role in enhancing financial inclusion, redistribution of income, and building a healthy economy in most OIC countries.

### **Research Gap**

Gleaning from the above reviewed literature it is worthy of note that there is an enormous wealth of empirical literature on the subject matter of Value Added Tax as well as financial inclusion in Nigeria, however, this also corroborates the fact that no single research has been conducted to examine the effect of value added tax on financial inclusion in Nigeria as at the time of this research thereby constituting a gap in literature. It is on this premise that this study examined the effect of value added tax (VAT) on the central bank of Nigeria's financial inclusion strategy adopting payment Attitude, usage of POS, and savings attitude as proxies for estimating financial inclusion strategy with a methodology different from existing literature.

### **Methodology**

This study used a descriptive research design in collecting the data from respondents to achieve its objectives and a population comprising of all customers of the 24 Deposit money banks in Nigeria. Using a sampling frame comprising of deposit money banks in Plateau state, a non-probability judgment sample of customers of 5 deposit money banks; Access, Zenith, FCMB, Union, and Guarantee trust bank in Plateau State, was selected due to their close geographic proximity, which reduces cost and time and made the research more manageable. A convenient sample of 140 customers of five (5) selected DMBs was drawn from the entire population. The sample size was split evenly between the five selected deposit money thereby allowing a sample size of 28 customers per bank and data were collected through the use of a structured self-administered questionnaire distributed directly to the respondents by the researcher. The items of the questionnaire were subjected to face validity assessment to ascertain whether or not the items were related to the research problem under investigation so that the research findings could be reliable and was also subjected to content validity by giving it to experts in the field of management especially the supervisors to validate. Reliability was measured through SPSS using Cronbach Alpha - a coefficient of 0.05 was obtained which revealed how strong and reliable the instrument was. The study adopted the use of the Spearman rank correlation coefficient to analyze the relationship between the dependent and independent variables. The Spearman correlation coefficient is most relevant since the data will be collected at the ordinal levels All these were carried out with the aid of Statistical Package for Social Sciences version 25 (SPSS v. 25.0) and results interpreted.

### **Data Analysis and Discussion of Findings**

**Test of Hypothesis One:** There is no statistical relationship between VAT Scheme and Payment attitude in the Nigerian banking industry.

**Table 1: Correlations**

			VAT_Scheme	Payment_Attitude
Spearman's rho	VAT_Scheme	Correlation Coefficient	1.000	.605**
		Sig. (2-tailed)	.	.000
		N	1101	555
	Payment_Attitude	Correlation Coefficient	.605**	1.000
		Sig. (2-tailed)	.000	.
		N	555	555

\*\* . Correlation is significant at the 0.01 level (2-tailed).

The table above shows the correlation coefficients between VAT scheme and Payment Attitude to be 1.000 and .605. The correlation between Vat Scheme and payment attitude is 0.000 and this is indicative of the fact that there is a strong positive relationship between VAT Scheme and payment attitude at 0.01 levels (two-tailed).

**Test of Hypothesis Two:** There is no statistical relationship between VAT Scheme and POS in Nigeria.

**Table 2: Correlations**

			VAT_Scheme	Point of Sale
Spearman's rho	VAT_Scheme	Correlation Coefficient	1.000	.848**
		Sig. (2-tailed)	.	.000
		N	1101	832
	Point_of_Sale	Correlation Coefficient	.848**	1.000
		Sig. (2-tailed)	.000	.
		N	832	832

\*\* . Correlation is significant at the 0.01 level (2-tailed).

The table above shows the correlation coefficients between Vat scheme and P.O.S to be 1.000 and .848. The correlation between Vat Scheme and P.O.S is 0.000 and this is indicative of the fact that there is a strong positive relationship between VAT Scheme and P.O.S at 0.01 levels (two-tailed).

**Test of Hypothesis Three:** There is no statistical relationship between VAT Scheme and Attitude to save in Nigeria

**Table 3: Correlations**

		VAT_Scheme	Attitude_to_Save	
Spearman's rho	VAT_Scheme	Correlation Coefficient	1.000	
		Sig. (2-tailed)	.000	
		N	1101	
	Attitude_to_Save	Correlation Coefficient	.920**	1.000
		Sig. (2-tailed)	.000	.
		N	1101	1249

\*\* . Correlation is significant at the 0.01 level (2-tailed).

The table above shows the correlation coefficients between Vat scheme and Attitude to save to be 1.000 and .920. The correlation between Vat Scheme and payment attitude is 0.000 and this is indicative of the fact that there is a strong positive relationship between VAT Scheme and Attitude to save at 0.01 levels (two-tailed).

**Discussion of Findings**

Payment Services, POS, and savings are sin qua non to achieving financial inclusion that is why the central bank of Nigeria's financial inclusion strategy vividly outlines same amongst others as its targets in facilitating its set vision of financial inclusion in Nigeria. An increase in the use of payment terminals, POS outlets and savings mediums has Fast-tracked financial inclusion that is why this study investigated the effect of VAT on the Central bank of Nigeria's financial inclusion strategy using Payment attitude, POS, and Attitude to save as constructs for financial inclusion.

This research found on an individual basis, that the effect of VAT scheme on payment attitude was statistically significant and positive given the probability value of 0.000. hence leading to the rejection of the null hypotheses ( $H_0$ ) which assumes that VAT scheme has no significant effect on payment attitude in the Nigerian banking industry and acceptance of the alternative hypothesis ( $H_1$ ) which assumes that VAT scheme has a significant effect on payment attitude in the Nigerian banking industry. This finding is contrary to what was earlier established in literature that the implementation of online VAT might affect the use of POS in the Nigerian banking industry. That is to say despite the imposition of VAT on payment services, payment gateways still flourish probably owing to the ease they provide in making payments for purchases for the large online market consumer base in Nigeria and the efficient prices offered on online products. Furthermore, this finding debunks the assertion posited earlier in this literature that the implementation of online VAT regulation will affect payment which will, in turn, truncate the target of achieving 80% financial inclusion by 2030 and payment service vision 2030.

Similarly, the effect of VAT scheme on POS was statistically significant and positive given the probability value of 0.000. hence leading to the rejection of the null hypotheses ( $H_0$ ) which assumes that VAT scheme has no significant effect on POS in the Nigerian banking industry and acceptance of the alternative hypothesis ( $H_1$ ) which assumes that VAT scheme has a

significant effect on POS in the Nigerian banking industry. This could be attributed to the fact that a substantial number of POS outlets are close to the Nigerian populace reaching far beyond into the nooks and crannies of the country, offering ease of access to quick meager cash for transactional purposes; a conduit for fund transfers between bank accounts and a plethora of other services.

Finally, the effect of VAT scheme on savings attitude was statistically significant and positive given the probability value of 0.000. hence leading to the rejection of the null hypotheses ( $H_0$ ) which assumes that VAT scheme has no significant effect on attitude to save in the Nigerian banking industry and acceptance of the alternative hypothesis ( $H_1$ ) which assumes that VAT scheme has a significant effect on attitude to save in the Nigerian banking industry. This implies that VAT charges on savings accounts have not deterred attitude to save and it could be because generally, people save for inevitable contingencies.

### **Conclusion and Recommendation**

The study found on an overall basis that, VAT Scheme has a significant positive effect on the financial inclusion strategy of the central bank of Nigeria. The researcher concludes that a probable cause of the statistically significant positive relationship is the efficient provision of financial services despite vat charged. The financial inclusion strategy of the CBN can be actualized if more focus is placed on innovation and expansion of key conduits of achieving financial inclusion, paramount among such are payment, POS, and savings.

Based on the findings and conclusions drawn, the following recommendations are deemed pertinent;

1. The needed infrastructure should be put in place in other to foster the achievement of the Central bank of Nigeria's financial inclusion strategy. As that will lead to the incorporation of the yet unbanked Nigerian populace into the formal financial sector of the economy.
2. Furthermore, security measures should be put in place to further safeguard financial inclusion channels to ensure that efficient and hitch-free financial services are made available to the Nigerian public.
3. In addition, awareness should be created among citizens, groups, associations, etc. on the inherent benefits of financial inclusion.

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