



Ease of Doing Business and Taxes from Goods and Services in Selected African Countries

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Abstract: Tax revenue generation is crucial for economic development and fiscal sustainability in African countries, as it provides the resources needed for public services and infrastructure. However, many African nations face challenges in generating adequate tax revenue, particularly taxes from goods and services. By streamlining business processes, ease of doing business strategies, starting a business, getting electricity, registering property, getting credit, paying taxes, trading across borders, enforcing contracts, resolving insolvency, could offer a sustainable solution to address low tax revenue generation. Ex-post facto research design was adopted for the study. The result of the multiple linear regression analysis conducted using sample of 39 countries for a period of 10 years (2014-2023) revealed that ease of doing business had significant effect on taxes from goods and services ($W(2, 723) = 1139.21, p < 0.05$) in selected African Countries. The study concluded that enabling business environment, strategies, and policies enhanced taxes from goods and services in selected African Countries. It is recommended that governments, tax authorities, policymakers, the private sector, and business associations in selected African countries should strengthen public-private collaboration efforts to improve an enabling environment for business growth, and optimize tax revenue collection mechanisms.

Keywords: Access to credit, Ease of doing business, Getting electricity, Resolving insolvency, Starting a business, Taxes from goods and services

INTRODUCTION

Taxes on Goods and Services (TGS) are a pivotal component of fiscal revenue in African economies, often constituting a significant portion of total tax collections. The Organisation for Economic Co-operation and Development (OECD) reports that, on average, taxes on goods and services account for over 50% of total tax revenues in African countries, with Value-Added Tax (VAT) alone contributing approximately 27%. This heavy reliance underscores the importance of understanding the factors that influence TGS, particularly in the context of enhancing domestic resource mobilization.

The persistent challenge of low taxes on goods and services (TGS) in selected African countries remains a significant concern for fiscal sustainability and economic development. Despite various policy interventions and strategic frameworks aimed at enhancing TGS revenue, its contribution to total tax revenue often falls short of expectations set by international organizations such as the World Bank and the OECD. In 2021, Africa's average tax-to-GDP ratio stood at 15.6%, remaining below pre-pandemic levels and significantly lower than other regions like Latin America and the Caribbean (21.7%) and the OECD (34.1%)

(OECD, 2023). This indicates a substantial gap in revenue mobilization, particularly from TGS, which is a critical component of domestic resource mobilization. Efforts to increase TGS revenue have included the implementation of value-added taxes (VAT) and excise duties. For instance, Kenya's 2023-24 budget doubled VAT on fuel from 8% to 16% as part of measures to boost public coffers (African Business, 2023). Similarly, Nigeria increased its VAT rate from 5% to 7.5% in February 2020, aiming to enhance revenue without causing public unrest (EY, 2020). However, these measures have not always translated into proportional increases in TGS revenue. The informal economy poses a significant challenge to TGS revenue collection. In West Africa, the informal sector accounts for up to 60% of economic activity, making it difficult to tax effectively (J.S. Morlu, 2023). This undermines efforts to broaden the tax base and increase TGS revenue. Tax administration inefficiencies further exacerbate the problem. Many African countries face challenges such as under-resourced tax administrations, corruption, and political interference, which hinder effective tax collection (J.S. Morlu, 2023). These issues limit the potential gains from policy reforms aimed at increasing TGS revenue.

International organizations have set benchmarks for tax revenue mobilization that many African countries struggle to meet. The IMF suggests that African countries can mobilize an additional 5% of GDP from taxes over the next few years (African Business, 2018). However, achieving this target requires significant improvements in tax policy and administration, particularly concerning TGS. Some countries have attempted to implement digital solutions to improve tax collection. For example, Rwanda has pursued economic development in tandem with taxpayer registration and compliance, resulting in a 50% increase in revenue between 2001 and 2013 (Lex Africa, 2019). Despite such successes, many countries still lag in adopting effective digital tax systems.

Public resistance to tax reforms, especially those affecting TGS, can also impede progress. In Kenya, the 2024 Finance Bill, which included various tax reforms, sparked nationwide protests, highlighting the challenges governments face in implementing tax policies perceived as burdensome by the populace (Wikipedia, 2024). Moreover, the reliance on tax incentives to attract foreign investment often undermines TGS revenue. Such incentives can erode the tax base and reduce the effectiveness of tax policies aimed at increasing revenue from goods and services (Lex Africa, 2019). While African countries have made various efforts to enhance TGS revenue through policy reforms and strategic frameworks, challenges such as the informal economy, administrative inefficiencies, public resistance, and reliance on tax incentives continue to hinder progress. Addressing these issues through the establishment of a conducive business environment is crucial for improving the contribution of TGS to total tax revenue and achieving fiscal sustainability.

The ease of doing business, encompassing various regulatory and infrastructural indicators, plays a crucial role in shaping the business environment and, by extension, tax revenues. Indicators such as startup procedures, access to electricity, property registration time, credit availability, tax compliance time, border compliance costs, contract enforcement time, and insolvency resolution duration collectively determine the operational efficiency for businesses. Efficient regulatory frameworks can enhance business operations, potentially leading to increased economic activities and, consequently, higher tax revenues. Conversely, inefficiencies in these areas can hinder business operations, leading to reduced economic activities and lower tax revenues. For instance, prolonged time to enforce contracts or resolve insolvency can deter investment and business expansion,

negatively affecting the tax base. Moreover, high costs associated with border compliance can discourage trade, further impacting tax revenues.

In the West African context, regulatory efficiency has been identified as a significant determinant of tax revenue performance. A study by Akande et al. (2025) found that unregulated activities in the informal sector contribute to governance and institutional challenges, ultimately impacting tax revenue collection. The study suggests that informal economic activities undermine tax collection, while monetary efficiency positively influences tax revenue. Tax administration efficiency is another critical factor influencing TGS. The United Nations Economic Commission for Africa (UNECA) highlights that African countries have made extensive efforts to improve the effectiveness and efficiency of tax administration. For example, Rwanda boosted tax revenue by 6% through the introduction of electronic tax filing and payment systems, suggesting the large scope for revenue gains in countries that have not yet done so.

Multiple taxation and bureaucratic bottlenecks also pose significant challenges to the ease of doing business in Africa. In Nigeria, for instance, the Manufacturers Association of Nigeria has raised concerns about the multiplicity of taxes and levies, which threaten the effectiveness of ease of doing business initiatives. Such a taxation structure can deter investment and hinder business operations, ultimately affecting tax revenues. Access to credit is another vital component of the business environment that influences TGS. Ijirshar et al. (2023) found that ease of doing business indicators, such as access to credit facilities, significantly impact investment levels in West African countries. Improved access to credit can enhance business operations, leading to increased economic activities and higher tax revenues.

The time required to prepare and pay taxes is also a critical factor. UNECA reports that digitalization efforts, such as the introduction of electronic tax filing systems, have reduced the time and cost of complying with VAT in countries like South Africa and Kenya. These improvements not only enhance tax compliance but also contribute to higher tax revenues. Furthermore, the time to enforce contracts and resolve insolvency can significantly impact the business environment. Delays in these areas can increase operational risks for businesses, discouraging investment and reducing economic activities. Streamlining these processes can enhance the ease of doing business, thereby positively influencing TGS.

The ease of doing business indicators have a profound impact on taxes from goods and services in African countries. Addressing inefficiencies in regulatory frameworks, improving access to credit, reducing bureaucratic bottlenecks, and enhancing tax administration efficiency are essential strategies for increasing TGS. By creating a conducive business environment, African countries can bolster economic activities and enhance their tax revenues. It is on this premise that this paper examined the effect of ease of doing business on taxes from goods and services in selected African countries.

REVIEW OF LITERATURE

This section of this paper is sub sectioned into conceptual review, theoretical review, and empirical review. The concepts of the ease of doing business and taxes from goods and services were reviewed. Two theories underpinning the study were reviewed under the

theoretical review while related previous studies were reviewed which form the bedrock for the formulation of the tested hypothesis.

Review of Concepts

Taxes on goods and services (TGS): are defined as all taxes levied on the production, extraction, sale, transfer, leasing, or delivery of goods, and the rendering of services, or on the use of goods or permission to use goods or to perform activities. They consist mainly of value-added and sales taxes, including multi-stage cumulative taxes, general sales taxes at various levels, excises, and taxes on imports and exports . These taxes are pivotal in financing government expenditures, influencing economic behavior, and promoting equitable income distribution . In developing countries, indirect taxes like TGS are significant revenue sources, with reforms such as the Goods and Services Tax (GST) in India aimed at enhancing economic growth and development . Empirical studies have utilized TGS as a variable to assess its impact on economic indicators; for instance, Nwachukwu et al. (2022) examined the influence of tax and import duties on Nigeria's GDP growth rate, finding a 26.52% increase in tax revenue but only an 8% contribution to GDP growth . In the current study, TGS is employed as the dependent variable, measured as the percentage of taxes from goods and services relative to total tax revenue, to evaluate the effect of ease of doing business indicators on TGS in selected African countries.

Ease of doing business: The concept of "ease of doing business" (EDB) refers to the degree to which a country's regulatory environment is conducive to the operation of businesses. This encompasses factors such as simplified laws, rules, regulations, taxation processes, and infrastructural facilities that facilitate smooth business operations (Roy & Roy, 2022). The World Bank's Doing Business Index has been a significant tool in this context, including ten sub-indicators: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, and resolving insolvency (Rogge & Archer, 2021).

The importance of EDB lies in its influence on economic growth and development. A favorable business environment attracts foreign direct investment, fosters entrepreneurship, and enhances competitiveness. Studies have shown that improvements in EDB are associated with higher GDP growth rates and increased investment inflows (Roy & Roy, 2022). Moreover, EDB serves as a benchmark for policymakers to identify areas requiring reform and to implement strategies that promote economic efficiency and reduce bureaucratic hurdles (Rogge & Archer, 2021).

Empirical research has utilized EDB as a variable to assess its impact on various economic outcomes. For instance, Rogge and Archer (2021) examined the effect of a country's business regulatory environment on foreign direct investment, using the World Bank's EDB ranking to capture operational costs faced by firms. Their findings indicated that the EDB rank is highly significant in attracting investment, particularly influenced by the "trading across borders" component. Additionally, the EDB index has been employed as a tool for econometric analysis, aiding in the understanding of how regulatory reforms impact economic performance (Roy & Roy, 2022).

In the current study, EDB is employed as the independent variable to evaluate its effect on taxes from goods and services (TGS) in selected African countries. The study utilizes specific indicators: startup procedures (SAB), access to electricity (GEL), time required to register property (REPT), domestic credit to the private sector (GCRT), time to prepare and pay taxes (PTX), net cost of border compliance (TAB), time to enforce contracts (ENCT), and years required resolving insolvency (RINS). These indicators are selected to provide a comprehensive assessment of the business environment and its potential influence on TGS, measured as the percentage of taxes from goods and services relative to total tax revenue.

Theoretical Framework

This study is hinged on two theories, laffer curve theory and institutional theory.

Laffer Curve Theory

The Laffer Curve Theory, introduced by economist Arthur B. Laffer in the 1970s, posits a non-linear relationship between tax rates and government revenue. It suggests that there exists an optimal tax rate at which revenue is maximized; beyond this point, higher tax rates may lead to decreased revenue due to reduced economic activity and increased tax avoidance (Laffer & Domitrovic, 2020). The theory rests on the premise that both extremely low and excessively high tax rates can result in suboptimal tax revenues. At very low tax rates, the government collects minimal revenue. Conversely, at very high tax rates, individuals and businesses may be disincentivized to earn taxable income or may engage in tax avoidance strategies, thereby reducing the tax base (Laffer & Domitrovic, 2020).

Critics argue that the Laffer Curve oversimplifies the complex relationship between tax rates and revenue. They contend that the theory lacks empirical precision in determining the exact optimal tax rate and does not account for factors such as tax compliance behavior and administrative efficiency (Laffer & Domitrovic, 2020). However, proponents highlight its utility in illustrating the potential adverse effects of excessive taxation on economic activity and revenue generation. Empirical studies have applied the Laffer Curve framework to analyze tax policy impacts. For instance, research examining emerging market economies found that the presence of a large informal sector can significantly alter the shape of the Laffer Curve, suggesting that tax policy must account for informality to optimize revenue (Elgin & Oztunali, 2022).

Institutional Theory

Institutional Theory, as articulated by scholars such as Douglass C. North, emphasizes the role of institutions comprising formal rules, informal norms, and enforcement mechanisms in shaping economic behavior and outcomes (North, 1990). The theory posits that well-established institutions facilitate economic transactions, reduce uncertainties, and promote efficient markets. The foundational assumption of Institutional Theory is that institutions provide the structure within which economic activities occur. Effective institutions lower transaction costs and foster an environment conducive to investment and economic growth

(North, 1990). Conversely, weak institutions can hinder economic performance by increasing uncertainty and transaction costs.

Critiques of Institutional Theory point to its broad scope and the challenges in empirically measuring institutional quality. Additionally, some scholars argue that the theory may underemphasize the role of individual agency and market dynamics in economic development (Hoefler, 2022). Nonetheless, the theory has been instrumental in highlighting the significance of institutional frameworks in economic analysis. Empirical applications of Institutional Theory have demonstrated its relevance in various contexts. For example, studies have shown that countries with robust legal and regulatory institutions tend to attract more foreign direct investment and experience higher economic growth rates (Hoefler, 2022). These findings underscore the importance of institutional quality in facilitating economic development.

The integration of the Laffer Curve Theory and Institutional Theory offers a comprehensive lens through which the relationship between ease of doing business indicators and taxes from goods and services (TGS) can be examined in selected African countries. The Laffer Curve Theory underscores the necessity of an optimal tax structure that does not discourage business activity or reduce compliance. When ease of doing business indicators such as time to pay taxes, startup procedures, or border compliance costs are inefficient, they may implicitly raise the cost of doing business and act as indirect tax burdens. This can ultimately reduce taxable business activity and lower TGS contributions, aligning with the Laffer Curve's prediction that excessive burdens lead to diminished tax revenue (Laffer & Domitrovic, 2020). Hence, creating a more business-friendly environment, as measured by the ease of doing business variables, could theoretically push economies toward that optimal point on the Laffer Curve where government revenue from goods and services taxes is maximized.

On the other hand, Institutional Theory contributes an understanding of how formal structures and institutional capacities shape the economic behavior of firms and taxpayers. This theory, which emphasizes the significance of regulatory quality, administrative efficiency, and institutional norms (North, 1990), helps explain how institutional weaknesses such as bureaucracy, inadequate infrastructure, or inconsistent enforcement can hinder tax compliance and formal economic participation. These institutional inefficiencies can suppress taxable activities in sectors like retail and services that are primary contributors to goods and services taxes. Thus, Institutional Theory complements the Laffer Curve by framing ease of doing business not just as a practical cost factor but as a reflection of deeper institutional contexts that influence tax performance. Together, these theories support the premise of this study—that improvements in ease of doing business indicators are likely to enhance tax performance from goods and services by reducing compliance burdens and strengthening institutional support for tax collection.

Empirical Review

A growing body of literature has examined the relationship between ease of doing business (EDB) indicators and tax revenue, particularly taxes from goods and services (TGS), in various contexts. While many studies focus on foreign direct investment (FDI) and economic growth, fewer directly address the impact of EDB on TGS. However, insights from related research provide valuable perspectives for understanding this relationship.

Several studies have explored how EDB indicators influence FDI inflows, which can indirectly affect tax revenue. For instance, Nketiah-Amponsah and Sarpong (2020) found that improvements in EDB indicators, such as ease of starting a business, significantly enhance FDI inflows in Sub-Saharan Africa. Similarly, Alguacil et al. (2011) and Aziz (2018) highlighted the role of EDB in attracting FDI, which can broaden the tax base and increase TGS. Contractor et al. (2020) also emphasized that a favorable investment climate, influenced by EDB indicators, is crucial for attracting FDI in Africa. The relationship between EDB and economic growth has been widely studied, with implications for tax revenue. Muhanika (2021) demonstrated that a favorable EDB environment is positively related to GDP growth in Sub-Saharan Africa, suggesting that economic expansion can lead to higher TGS. Similarly, Adu-Gyamfi et al. (2018) identified that improvements in EDB indicators, such as ease of registering property and enforcing contracts, contribute to economic development in Africa.

Studies have also examined how tax administration, influenced by EDB, affects business operations and tax compliance. The World Bank (2020) reported that firms in economies with better EDB scores perceive tax rates and administration as less of an obstacle, which can enhance tax compliance and increase TGS. Blonigen and Piger (2011) found that efficient tax administration, a component of EDB, is associated with higher levels of FDI, which can expand the tax base and improve TGS. Institutional quality, closely linked to EDB, plays a significant role in determining tax revenue. North (1990) argued that strong institutions reduce transaction costs and enhance economic performance, leading to higher tax revenues. In the African context, studies by Kaufmann et al. (2009) and Eicher et al. (2011) have shown that improvements in institutional quality, reflected in better EDB scores, are associated with increased tax revenue. Policy reforms aimed at improving EDB indicators can have direct implications for tax revenue. The East African Community's report (2021) highlighted that reforms in areas such as tax compliance and government operations have led to improvements in the business environment, which can enhance tax collection efficiency and increase TGS.

Abille and Mumuni (2022) examine how tax incentives, EDB indicators, and governance quality influence FDI inflows across 50 African countries from 2015 to 2019. Their findings indicate that both corporate tax rates and EDB indicators significantly affect FDI inflows. Notably, a one percentage point improvement in tax administration, coupled with an optimal tax rate, increases FDI inflows by 0.17 percentage points. This suggests that efficient tax systems, as part of a broader EDB strategy, can enhance FDI, potentially expanding the tax base for TGS. Alemu (2013) investigates how elements of governance infrastructure influence EDB across 41 African countries from 2005 to 2012. The study reveals that improvements in governance, such as regulatory quality and rule of law, enhance EDB rankings. While the study focuses on FDI as the primary economic indicator, the underlying premise is that better governance and EDB facilitate business operations, which can lead to increased tax compliance and higher TGS. Nketiah-Amponsah and Sarpong (2020) analyze the relationship between EDB indicators and FDI in 45 Sub-Saharan African countries between 2004 and 2018. Their research indicates that improvements in EDB indicators, such as starting a business and tax administration, significantly attract FDI. Although the study centers on FDI, the implication is that a more favorable business environment can lead to increased economic activity, thereby enhancing the tax base for TGS.

The World Bank's report (2020), authored by Keerthi and Jaramillo, provides a comprehensive analysis of the tax compliance landscape across African economies. It highlights that economies with streamlined tax payment processes, a key component of EDB, tend to have higher tax compliance rates. This efficiency not only reduces the compliance burden on businesses but also increases the revenue collected from TGS (Keerthi & Jaramillo, 2020). Othman, Ibraheem, and Ahmed (2018) conducted a systematic review that explores various challenges hindering business operations in Africa. The review identifies that complex tax regulations and procedures are significant barriers. Addressing these challenges by simplifying tax processes, an EDB indicator, could enhance business compliance and potentially increase TGS (Othman, Ibraheem, & Ahmed, 2018). The East African Community's report (2020) provides a detailed assessment of EDB indicators across its member states. The report notes that countries with efficient tax payment systems, such as Rwanda and Kenya, experience higher compliance rates. This efficiency contributes to a broader tax base, thereby increasing TGS revenue (Kamanzi, 2020).

Bureaucratic inefficiencies in business registration processes can deter formalization, leading to reduced tax contributions. Ortiz-Martínez et al. (2023) highlight that complex start-up procedures discourage entrepreneurship and tax compliance. Similarly, Kanbiro (2022) found that excessive regulation hampers firm sustainability, thereby affecting tax revenues. In Nigeria, the implementation of the Tax Identification Number (TIN) system and the Voluntary Assets and Income Declaration Scheme (VAIDS) aimed to streamline business registration, yet challenges remain in fully integrating informal businesses into the tax net. Infrastructure quality, particularly access to electricity, plays a crucial role in enhancing business productivity and tax compliance. Seren et al. (2022) found that reliable energy infrastructure boosts business performance, leading to higher tax revenues. This aligns with the Productivity Theory, which posits that infrastructure improvements enhance economic productivity. In Nigeria, the government's efforts to improve electricity access are expected to positively impact business operations and tax contributions.

Delays in property registration can discourage investment and tax compliance. Agbo et al. (2018) emphasize that inefficient property registration processes hinder economic efficiency and tax mobilization. In Nigeria, the complexity and vagueness of tax rules and regulations, coupled with inconsistent implementation, have led to confusion and potential errors in complying with tax obligations. The relationship between domestic credit and tax reliance is complex. While Yue and Li (2024) argue that credit availability enhances firm output, this study suggests that increased credit may reduce tax reliance on goods and services. Kouam and Asongu (2022) explain that access to credit may shift business focus from taxable transactions to non-taxed financial investments, potentially explaining this deviation. The time required for tax preparation can influence tax compliance. Wu and Jin (2022) argue that firms with longer tax preparation processes may contribute more to tax revenues due to enhanced tax transparency and compliance. This supports the Tax Compliance Theory, which posits that structured tax systems can improve compliance. In Nigeria, efforts to automate tax processes through systems like TaxPro Max aim to streamline tax preparation and enhance compliance.

While structured trade regulations can contribute positively to tax revenue, excessive border compliance costs may discourage trade and reduce tax collection. Rahman (2023) found that structured trade regulations contribute positively to tax revenue, yet high

compliance costs can have a discouraging effect. In Nigeria, the implementation of the Common External Tariff (CET) aims to standardize trade regulations, but challenges in enforcement persist. Strong legal institutions are essential for tax stability. Lin (2022) found that robust legal frameworks foster tax stability. However, in many African economies, informal dispute resolution mechanisms may be more effective than lengthy legal processes, which could explain inconsistencies in the relationship between contract enforcement and tax stability. Delayed insolvency proceedings can increase fiscal reliance on consumption taxes. Rahman (2023) found that tax structures adapt to insolvency risks by shifting the burden to consumption-based taxes. In Nigeria, the slow pace of insolvency resolution has implications for fiscal policy and tax revenue generation.

A growing body of literature has explored the relationship between ease of doing business (EDB) indicators and tax revenue, particularly taxes from goods and services (TGS), within various contexts. While much of the research focuses on foreign direct investment (FDI) and economic growth, fewer studies directly address the impact of EDB on TGS, though related research offers valuable insights. Several studies have demonstrated that improvements in EDB indicators, such as the ease of starting a business and efficient tax administration, attract FDI, which in turn broadens the tax base and increases TGS (Nketiah-Amponsah & Sarpong, 2020; Alguacil et al., 2011; Aziz, 2018). A favorable EDB environment has also been shown to enhance GDP growth, which is linked to higher tax revenues (Muhanika, 2021; Adu-Gyamfi et al., 2018). Furthermore, improved tax administration, which is an integral component of EDB, promotes tax compliance and can lead to increased TGS, as demonstrated by the World Bank (2020) and Blonigen and Piger (2011). Strong institutional quality, associated with better EDB rankings, has been linked to higher tax revenues, particularly in Sub-Saharan Africa (Kaufmann et al., 2009; Eicher et al., 2011). Policy reforms that enhance tax administration and simplify business processes can lead to increased tax collection efficiency (East African Community, 2021). In addition, studies show that governance quality and efficient tax systems significantly influence FDI inflows, which may indirectly enhance TGS (Abille & Mumuni, 2022; Alemu, 2013).

Moreover, simplified tax payment processes and efficient registration systems have been shown to improve tax compliance, thereby increasing TGS (Keerthi & Jaramillo, 2020; Othman et al., 2018). On the other hand, bureaucratic inefficiencies and excessive regulation can hamper business formalization and tax compliance (Ortiz-Martínez et al., 2023; Kanbiro, 2022), while reliable infrastructure, such as electricity, enhances business productivity and tax contributions (Seren et al., 2022). Delays in property registration and credit access also affect business operations and tax revenues, as discussed by Agbo et al. (2018) and Yue and Li (2024).

Furthermore, high border compliance costs, despite structured trade regulations, can discourage trade and reduce tax collection (Rahman, 2023). In the African context, slow insolvency proceedings and informal dispute resolution mechanisms further complicate the tax compliance landscape (Lin, 2022; Rahman, 2023). These factors indicate a complex relationship between EDB and TGS, with a variety of structural and institutional elements influencing tax outcomes. Therefore, this study hypothesized that ease of doing business has no significant effect on taxes from goods and services in selected African countries.

METHODOLOGY

Research Design, Population, Sample Size, Sampling Techniques and Data Source

This study employed an ex-post facto research design, which was deemed suitable for investigating the impact of ease of doing business on taxation using existing, non-manipulated data. The design allows for evaluating past events and their effect on the current situation, while also predicting future occurrences through regression models aligned with the study's objectives. This design is supported by previous research, including studies by Kaya & Hazman (2022), Gupta & Jalles (2022), and Myoda et al. (2023), who similarly used this approach.

The study's population consists of all fifty-four African countries as of December 31, 2022, as identified by international organizations such as the World Bank, IMF, and OECD. A purposive sampling technique was employed, selecting 39 African countries based on data availability from the World Bank's World Development Indicator (WDI) database, which spans 2014 to 2023. These selected countries include Angola, Botswana, Burkina Faso, Cabo Verde, Cameroon, Chad, Democratic Republic of Congo, Republic of Congo, Côte d'Ivoire, Equatorial Guinea, Eswatini, Ethiopia, Gabon, Ghana, Guinea, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, Seychelles, South Africa, Sudan, Tanzania, Togo, Uganda, Zambia, and Zimbabwe. This database, known for its consistency, accuracy, and validity, was chosen for its reliability and has been widely used in previous research (Mousavian et al., 2023; Aldieri et al., 2023; Slavković et al., 2023).

Model Specifications and Measurements of Variables

Model Specifications

To examine the impact of ease of doing business taxes on taxes from goods and services in selected African countries, Conversely, ease of doing business is the explanatory variable in the study, represented by factors such as starting a business, dealing with construction permits, getting electricity, registering property, obtaining credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, and resolving insolvency. Therefore, this study developed regression model as:

$$TGS_{it} = \beta_0 + \beta_1 SAB_{it} + \beta_2 GEL_{it} + \beta_3 REPT_{it} + \beta_4 GCRT_{it} + \beta_5 PTX_{it} + \beta_6 TAB_{it} + \beta_7 ENCT_{it} + \beta_8 RINS_{it} + \epsilon_{it} \quad (1.0)$$

Where:

- TAGS = Taxes on Goods and Services, SAB = Starting a Business, GEL = Getting Electricity, REPT = Registering Property, GCRT = Getting Credit, PTX = Paying Taxes, TAB = Trading Across Borders, ENCT = Enforcing Contracts, and RINS = Resolving Insolvency
- β_0 represent the Constant in the models, β_{1-8} represent the coefficients of the exogenous variables, i represent the number of the countries under study, and t represent the study's time frame.

Measurement of Variables

Table 1.0 summarizes the key variables, their abbreviations, measurement methods, and justifications for their selection in the study on the "ease of doing business" and its effect on tax from goods and services in selected African countries. It outlines independent variables such as various business-related processes, like starting a business, obtaining construction permits, and securing credit, as well as dependent variable.

Table 1.0: Measurements of Variables

Variable	Abbrev.	Measurements	Justifications for Variable Measurements
Starting Business	SAB	The time involved in starting a business, measured in days	World Bank Group (2023); Doing Business Reports
Getting Electricity	GEL	Percentage of population having access to electricity	World Bank Group (2023); Doing Business Reports
Registering Property	REPT	The number of procedures in time involved in registering property	World Bank Group (2023); Doing Business Reports
Getting Credit	GCRT	The ease of obtaining credit, assessed through a credit score and the legal rights of borrowers	World Bank Group (2023); Doing Business Reports
Paying Taxes	PTX	The total tax rate on commercial profits, including all corporate	World Bank Group (2023); Doing Business Reports
Trading Across Borders	TAB	Net cost of border compliance associated with importing and exporting goods	World Bank Group (2023); Doing Business Reports
Enforcing Contracts	ENCT	The time to resolve a commercial dispute through the courts	World Bank Group (2023); Doing Business Reports
Resolving Insolvency	RINS	The number of years it takes in Resolving Insolvency	World Bank Group (2023); Doing Business Reports
Taxes on Goods and Services	TGS	Percentage of Total value-added tax and sales tax to total tax revenue	Azeng and Helgath (2023); Ibrahim and Jairo (2023); World Bank Group (2023)

Source: Researcher's Compilation (2025)

Method of Data Analysis

The analyses hinge on relevant descriptive and inferential analytical techniques, along with other necessary econometric tests. The data undergoes a multicollinearity test using the Pearson Product Moment Correlation (PPMC) method and the Variance Inflation Factor (VIF) test to ensure appropriateness. This ensures the absence of multicollinearity among the variables, with justification based on the econometrics-specified correlation matrix threshold of 0.8 and the VIF mean value of 10, where 1 represents individual variances (Baltagi, 2021). Due to the large dataset and the inclusion of 38 countries, which exceeds 25, the study's estimation techniques consist of Ordinary Least Squares (Fixed effect, Random effect, and Pooled OLS) and Generalized Method of Moments (GMM) analysis. To determine the appropriate estimation technique, an endogeneity test is conducted; due to the absence of endogeneity problem, Ordinary Least Squares was employed for the

estimation. Using Ordinary Least Squares is employed, appropriate diagnostic tests, including the heteroscedasticity test, cross-sectional dependency test, and serial correlation test, are conducted. These tests assess the model's suitability regarding the coefficients and residuals. Additionally, the Hausman test, Breusch and Pagan Lagrangian Multiplier Test for Random Effect, or Testparm Test are performed to determine the most suitable estimation technique for testing the formulated hypotheses among fixed effect, random effect, and Pooled OLS regression analyses.

Apriori Expectations

Based on the theoretical and empirically grounded anticipation of the study's outcomes; it is anticipated that improvements in the ease of doing business, covering aspects such as starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, and resolving insolvency will have a positive effect on taxes from goods and services in selected African countries, because the more cumbersome it is to get these done by the individuals and corporate entities, the more difficult it would be to transact business and engaging in economic activities resulting to less contribution of businesses to tax revenue.

RESULTS, DISCUSSIONS AND IMPLICATION OF THE FINDINGS

This section presents the results of the analysis conducted, providing an in-depth discussion of the findings. It highlights the implications of these findings within the context of the study. The analyses address the research questions, validate the hypotheses, and offer insights that contribute to the existing body of knowledge.

Table 2.0: Correlation Analysis

Variables	TGS	SAB	GEL	REPT	GCRT	PTX	TAB	ENCT	RINS	VIF	1/VIF
TGS	1.00										
SAB	-0.36	1.00								1.49	0.67
GEL	0.01	0.14	1.00							1.93	0.52
REPT	-0.28	-0.01	-0.16	1.00						1.23	0.81
GCRT	0.05	-0.19	0.54	-0.26	1.00					2.21	0.45
PTX	0.11	0.09	0.00	0.05	-0.20	1.00				1.28	0.78
TAB	0.14	-0.17	-0.20	0.21	-0.39	-0.03	1.00			1.71	0.58
ENCT	-0.25	0.01	0.03	0.24	-0.13	0.06	-0.15	1.00		1.26	0.79
RINS	0.40	-0.30	-0.21	-0.07	-0.08	0.26	0.09	-0.12	1.00	1.38	0.73
										MEAN = 1.68	

Source: Researcher's Computation (2025)

The correlation analysis results in Table 2.0 reveal the relationships between key variables related to ease of doing business and tax revenue. A moderate positive correlation is observed between Taxes on Goods and Services (TGS) and Resolving Insolvency (RINS) at 0.40, suggesting that improved efficiency in resolving insolvency is associated with higher

tax revenues from goods and services. Conversely, TGS shows a negative correlation with Starting a Business (SAB) at -0.36, indicating that longer durations for starting a business may negatively impact tax revenue from goods and services.

The correlation between Getting Credit (GCRT) and Getting Electricity (GEL) is moderately positive at 0.54, signifying that access to electricity and ease of obtaining credit are closely linked. However, TGS has negligible or weak associations with variables like Registering Property (REPT), Paying Taxes (PTX), and Enforcing Contracts (ENCT), pointing to limited direct impact of these factors on tax revenue from goods and services.

The Variance Inflation Factor (VIF) values range from 1.23 to 2.21, with a mean of 1.68, indicating no significant multicollinearity issues as all values are below the threshold of 10.

Regression Analysis

Table 3.0: Regression and Diagnostic Tests' Results

Linear Regression with Panel-Corrected Standard Errors (PCSEs)				
Variables	Coefficient	Std. Err	z	P>z
SAB	-1.811	0.193	-9.400	0.000*
GEL	0.106	0.019	5.450	0.000*
REPT	-0.097	0.012	-7.920	0.000*
GCRT	-0.080	0.026	-3.010	0.003*
PTX	0.008	0.001	6.560	0.000*
TAB	0.004	0.001	3.620	0.000*
ENCT	-0.012	0.001	-12.490	0.000*
RINS	4.593	0.236	19.490	0.000*
CONSTANT	48.424	2.476	19.560	0.000*
R-squared: 0.3369				
Diagnostic Tests				
Wald chi ² (8): 5474.00, p = 0.0000				
Heteroskedasticity Test: chi ² (1) = 6.46, p = 0.0110				
Serial Correlation Test: F(1, 38) = 31.592, p = 0.0000				

Dependent Variable: TGS, @5% significance level, Source: Researcher's Work (2025)

Interpretation of the Regression Results

The regression analysis was conducted using Linear Regression with Panel-Corrected Standard Errors (PCSEs) to examine the effect of ease of doing business indicators on taxes from goods and services (TGS) in selected African countries. The dependent variable in this analysis is TGS, which represents the percentage of taxes from goods and services relative to total tax revenue. The model tested several variables, including startup procedures (SAB), access to electricity (GEL), time required to register property (REPT), domestic credit to the private sector (GCRT), time to prepare and pay taxes (PTX), net cost of border compliance (TAB), time to enforce contracts (ENCT), and years required to resolve insolvency (RINS).

Diagnostic Tests

The model was evaluated for the presence of heteroskedasticity and serial correlation. The heteroskedasticity test, using the Modified Wald Test, returned a p-value of 0.0110, indicating the presence of heteroskedasticity at the 5% significance level. This suggests that the variance of the error terms is not constant across panels. The serial correlation test, conducted using the Wooldridge Test for autocorrelation, yielded a p-value of 0.0000, indicating significant first-order autocorrelation. Both issues of heteroskedasticity and autocorrelation were addressed by using Panel-Corrected Standard Errors (PCSEs), which provide robust and reliable estimates despite these concerns.

Regression Equation:

$$TGS_{it} = \beta_0 + \beta_1 SAB_{it} + \beta_2 GEL_{it} + \beta_3 REPT_{it} + \beta_4 GCRT_{it} + \beta_5 PTX_{it} + \beta_6 TAB_{it} + \beta_7 ENCT_{it} + \beta_8 RINS_{it} + \epsilon_{it} \quad (1.2)$$

Restated as:

$$TGS_{it} = 48.424 - 0.811SAB_{it} + 0.106GEL_{it} - 0.097REPT_{it} - 0.080GCRT_{it} + 0.008PTX_{it} + 0.004TAB_{it} - 0.012ENCT_{it} + 4.593RINS_{it} \quad (1.3)$$

Regression Results

The results of the regression model show various significant relationships between the ease of doing business indicators and taxes from goods and services (TGS). The coefficient for SAB is -1.811 with a p-value of 0.000, indicating a statistically significant negative relationship with TGS. Specifically, for every additional procedure required to start a business, the percentage contribution of taxes from goods and services to total tax revenue decreases by 1.811 units, holding other factors constant. The coefficient for GEL is 0.106 with a p-value of 0.000, indicating a significant positive relationship with TGS. A 1% increase in access to electricity is associated with a 0.106% increase in taxes from goods and services, all else being equal. The coefficient for REPT is -0.097 with a p-value of 0.000, signifying a negative relationship with TGS. For each additional day required to register property, the contribution of taxes from goods and services to total tax revenue decrease by 0.097 percent, *ceteris paribus*.

The coefficient for GCRT is -0.080 with a p-value of 0.003, showing a significant negative impact on TGS. A 1% increase in domestic credit to the private sector, as a percentage of GDP, results in a 0.080% decrease in taxes from goods and services. The coefficient for PTX is 0.008 with a p-value of 0.000, indicating a significant positive relationship with TGS. Each additional hour required to prepare and pay taxes corresponds to a 0.008% increase percent increase in the contribution of taxes from goods and services to total tax revenue. The coefficient for TAB is 0.004 with a p-value of 0.000, indicating a positive relationship with TGS. A \$1 increase in the net cost of border compliance leads to a 0.004- percent increase in the contribution of taxes from goods and services to total tax revenue, assuming all other factors are constant. The coefficient for ENCT is -0.012 with a p-value of 0.000, indicating a negative relationship with TGS. Each additional day required to enforce contracts results in a 0.012- percent increase in the contribution of taxes from

goods and services to total tax revenue. The coefficient for RINS is 4.593 with a p-value of 0.000, signifying a strong positive relationship with TGS. A one-year increase in the time required to resolve insolvency issues leads to a 4.593-percent increase in the contribution of taxes from goods and services to total tax revenue, holding other variables constant.

The R-squared value of 0.3369 indicates that approximately 33.69% of the variation in taxes from goods and services can be explained by the independent variables included in the model. This suggests a moderate fit of the model, with other unobserved factors contributing to the variability in TGS. The Wald chi-squared statistic of 5474.00 with a p-value of 0.0000 confirms the overall statistical significance of the model, suggesting that the independent variables jointly have a significant effect on taxes from goods and services in the selected African countries.

DISCUSSION OF FINDINGS

The regression results suggest that various ease of doing business (EDB) indicators significantly influence taxes from goods and services (TGS) in selected African countries. The negative impact of start-up procedures (SAB) on TGS (-1.811, $p = 0.000$) aligns with findings by Ortiz-Martínez et al. (2023), who argue that bureaucratic inefficiencies deter business activity and tax contributions. Similarly, Kanbiro (2022) found that excessive regulation discourages firm sustainability, reducing overall tax revenues. In the African context, where informal businesses thrive due to regulatory burdens, these results suggest that simplifying business registration could enhance tax compliance.

The positive coefficient for access to electricity (GEL) (0.106, $p = 0.000$) is supported by Productivity Theory (Solow, 1950), which emphasizes infrastructure's role in enhancing economic productivity. Seren et al. (2022) similarly found that access to modern infrastructure boosts business performance, leading to higher tax revenues. This supports the argument that investing in energy infrastructure can drive business formalization and taxation.

Conversely, the negative coefficient for property registration time (REPT) (-0.097, $p = 0.000$) suggests that delays discourage tax contributions, aligning with Institutional Theory (Adegbola et al., 2023). Agbo et al. (2018) emphasize that inefficient property registration processes hinder economic efficiency and tax mobilization. Given that property registration is often marred by corruption and inefficiencies in Africa, this result highlights the need for streamlined processes to enhance compliance.

The negative impact of domestic credit to the private sector (GCRT) (-0.080, $p = 0.003$) contradicts some findings in the literature. While Yue and Li (2024) argue that credit availability enhances firm output, this study suggests that increased credit reduces tax reliance on goods and services. Kouam and Asongu (2022) explain that access to credit may shift business focus from taxable transactions to non-taxed financial investments, which could explain this deviation.

The positive effect of tax preparation time (PTX) (0.008, $p = 0.000$) contrasts with Sebele-Mpoku et al. (2022), who found that excessive tax compliance burdens reduce business participation in formal markets. However, Wu and Jin (2022) argue that firms with longer tax preparation processes may contribute more to tax revenues due to enhanced tax transparency and compliance—consistent with Tax Compliance Theory (Allingham &

Sandmo, 1972). This suggests that although time-consuming, a well-regulated tax system may improve tax compliance.

Similarly, the positive coefficient for border compliance cost (TAB) (0.004, $p = 0.000$) aligns with Rahman (2023), who found that structured trade regulations contribute positively to tax revenue. However, Sebele-Mpoku et al. (2022) argue that excessive border costs discourage trade and reduce tax collection. This contradiction may stem from the balance between efficiency in tax collection and the discouraging effect of high compliance costs.

The negative effect of contract enforcement time (ENCT) (-0.012, $p = 0.000$) contradicts Lin (2022), who found that strong legal institutions foster tax stability. However, in many African economies, informal dispute resolution mechanisms may be more effective than lengthy legal processes, which could explain this inconsistency. The strong positive impact of insolvency resolution time (RINS) (4.593, $p = 0.000$) aligns with the argument that delayed insolvency proceedings increase fiscal reliance on consumption taxes. Rahman (2023) found that tax structures adapt to insolvency risks by shifting the burden to consumption-based taxes, reinforcing this study's findings.

The findings of this study aligns with the propositions of Institutional Theory (Meyer & Rowan, 1977) which posits that regulatory and bureaucratic frameworks shape economic activities, including taxation. The study confirms that ease of doing business indicators significantly affect TGS, supporting Institutional, Productivity, and Tax Compliance Theories. While most results align with empirical findings, some discrepancies are explained by contextual factors such as the regulatory environment, economic structure, and policy implementation.

Implications of Findings

The regression results for the study on the effect of ease of doing business on taxes from goods and services (TGS) in selected African countries provide valuable insights into how various indicators of ease of doing business influence the contribution of TGS to total tax revenue. The regression results reveal significant relationships between various ease of doing business indicators and taxes from goods and services (TGS) in African countries. The coefficient for start-up procedures (SAB) is -1.811, with a p -value of 0.000, indicating a statistically significant negative relationship with TGS. This suggests that an increase in the number of procedures required to start a business leads to a decline in the tax contributions from goods and services. The finding implies that complex business registration processes discourage entrepreneurial activities, thereby reducing tax revenues from this sector. Access to electricity (GEL) shows a coefficient of 0.106, with a p -value of 0.000, indicating a statistically significant positive relationship with TGS. This result demonstrates that improvements in access to reliable electricity enhance economic productivity, leading to increased tax contributions from goods and services. Reliable electricity acts as a key enabler for business activities, thereby boosting overall economic performance and tax revenues.

The time required to register property (REPT) has a coefficient of -0.097, with a p -value of 0.000, indicating a significant negative relationship with TGS. Longer delays in property registration reduce business efficiency and discourage investment, leading to lower

tax contributions from goods and services. Efficient property registration processes are crucial for fostering a conducive business environment and enhancing tax revenues. Domestic credit to the private sector (GCRT) displays a coefficient of -0.080, with a p-value of 0.003, revealing a statistically significant negative relationship with TGS. An increase in credit availability as a percentage of GDP appears to correlate with reduced tax revenues from goods and services, possibly because businesses focus more on financial strategies or expansion than on tax contributions. This finding suggests a need for balanced financial policies that ensure credit growth does not undermine the tax base.

The time to prepare and pay taxes (PTX) shows a coefficient of 0.008, with a p-value of 0.000, indicating a significant positive relationship with TGS. Surprisingly, this suggests that longer tax preparation times are associated with increased tax contributions, potentially due to higher compliance costs. However, streamlining tax payment processes could further improve compliance and enhance revenue generation. Net cost of border compliance (TAB) has a coefficient of 0.004, with a p-value of 0.000, indicating a significant positive relationship with TGS. Higher border compliance costs may reduce international trade activity but simultaneously encourage businesses to focus on domestic markets, increasing tax revenues from goods and services. This highlights the importance of strategic adjustments to border compliance costs to balance trade flows and domestic tax generation.

The time to enforce contracts (ENCT) has a coefficient of -0.012, with a p-value of 0.000, indicating a significant negative relationship with TGS. Inefficient contract enforcement undermines business confidence and deters investment, leading to lower tax revenues from goods and services. Strengthening legal frameworks and reducing delays in enforcing contracts can positively impact the business climate and tax contributions. Finally, the time to resolve insolvency issues (RINS) presents a coefficient of 4.593, with a p-value of 0.000, showing a significant positive relationship with TGS. This finding suggests that extended insolvency resolution processes may result in increased tax compliance or restructuring activities that boost tax revenue. However, while longer timelines may benefit tax contributions in certain ways, improving insolvency resolution processes can help minimize broader economic inefficiencies. In summary, the regression results demonstrate the nuanced relationships between ease of doing business indicators and taxes from goods and services. The study suggests that simplifying business procedures, improving infrastructure like electricity access, and reducing inefficiencies in property registration and contract enforcement could significantly enhance tax revenue from goods and services in selected African countries. These findings provide a strong case for policy reforms aimed at improving the ease of doing business to boost economic activity and increase tax revenues.

SUMMARY, CONCLUSION, AND RECOMMENDATIONS

This study investigated the effect of ease of doing business (EDB) indicators on taxes from goods and services (TGS) in selected African countries. The analysis revealed that various EDB indicators significantly influence TGS. Notably, factors such as starting a business (SAB) and registering property (REPT) had negative impacts on TGS, highlighting how bureaucratic inefficiencies hinder tax contributions. Conversely, improved access to electricity (GEL) and efficient insolvency resolution (RINS) positively influenced TGS, suggesting that infrastructure and streamlined processes can enhance economic productivity and tax

compliance. The findings underscore the importance of a conducive regulatory environment in maximizing tax revenues from goods and services.

The study concludes that enhancing the ease of doing business can significantly improve the contribution of TGS to total tax revenue in African countries. Simplified regulatory frameworks, better infrastructure, and efficient administrative processes are essential to fostering a business-friendly environment that supports tax compliance and economic growth. Addressing inefficiencies in property registration, contract enforcement, and tax administration are critical to achieving fiscal sustainability in the region.

To enhance tax revenue from goods and services (TGS) in African countries, governments should streamline business registration processes, simplify tax administration, and adopt digital solutions to reduce bureaucratic inefficiencies. Investments in reliable infrastructure, particularly electricity, are essential for boosting business productivity and compliance. Legal reforms to strengthen contract enforcement and expedite insolvency resolution are also critical for fostering a supportive business environment. Additionally, balanced credit policies should ensure that increased access to financing translates into taxable economic activities, contributing to fiscal sustainability.

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