



## NON-OIL REVENUE AND THE IMPACT ON THE ECONOMIC DEVELOPMENT OF NIGERIA

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**ABSTRACT:** Nigeria as one of the major oil-producing countries in the world has been diversifying into more non-oil revenue while more attention is paid to tax revenue as it has the potential of taking the country to the Promised Land. As a result, the study sought to examine Non-Oil Revenue and its impact on the Economic Development of Nigeria, leveraging on tax revenue for the period 1994–2023. The objectives of the study examined the effect of corporate income tax, capital gain tax, value-added tax, customs and excise duties on economic growth. Tertiary Education Tax, Stamp duty, and Other Levies were used as controlled variables. Data were sourced from the Central Bank of Nigeria (CBN) Statistical Bulletin and Federal Inland Revenue (FIRS) Statistical Reports. ARDL Regression Analysis was applied to test the hypotheses. The findings revealed that the coefficients of variation for the lag values showed that the RGDP was positively impacted by TDT and CED, while negatively impacted by CIT, CGT, VAT, and SD. The ARDL model's  $R^2$  and Adjusted  $R^2$  statistics together explained almost 69% of the variation in RGDP, according to the adjusted  $R^2$  of 0.518719. This implies that a significant portion of volatility is still unaccounted for despite the model's poor predictive power. The study concluded that the aggregate tax revenue does not show the hope of taking the country to the promised land, as only two (CED and TDT) showed a positive relationship with the economic growth of the country. Thus, it recommended that the Nigerian government need to pay more attention to tax income since it can promote the necessary growth in the nation.

**KEYWORDS:** Non-oil Revenue, Tax Revenue, Corporate Income Tax, Capital Gain Tax, Value-Added Tax, Customs and Excise Duties.



## INTRODUCTION

The efficient use of economic resources is directly related to the country's economic development. Due to its great impact on the economy, the question of how the government can best increase revenue should be a primary concern (Olufemi, Olufunke, & Osmond, 2023). In terms of healthy growth, complete dependence on oil revenue has devastating consequences on developing economies, given the instability of the global oil market and changes in price levels. Although oil revenues contribute to the growth of the country's economy, they are not a reliable source of revenue due to the high volatility of the global oil market (Abel Ndu & Emeka, 2021).

As stated in (Likita, Idisi, & Mavenke, 2018), the growth of every nation is mainly dependent on the use of capital (funds). However, this growth is driven by the revenue generated by many businesses to achieve their stated goals. Revenue is generated to meet the social and infrastructural needs of the citizens among others to stimulate growth. Nigeria is a mono-economy that relies heavily on oil revenues. Therefore, the crash in international oil prices ultimately leads to a decline in oil revenues, leading to a decline in total revenue (Oziegbe, & Itua, 2024). The failure of the government to solve the financial problems that arose due to the population growth and the decline in infrastructure has caused the currency to appreciate in value (Nimenibo et al., 2018), forcing the Nigerian government to find other sources of income.

Revenue is divided into oil revenue and non-oil revenue, the former is revenue generated from oil exploration, including taxes (petroleum profit tax), etc. While the latter are the revenues generated from other natural endowments (CBN 2020). Non-oil industry includes construction; research and development activities; information and communication technology, wholesale and retail environment etc. (Samson et al., 2020). Taxation is a major source of non-oil government revenue and contributes immensely to economic growth (Otu & Adejumo in Ihenetu & Wokocha, 2022). Taxes are revenues generated from oil and non-oil activities by government policies (Adeusi et al., 2020). Oil independence is never a better option for Nigeria (Wadike et al., 2022), as this has rendered the efforts of the country useless which led the government's attention to focus more on tax revenues to foster infrastructure development (Oziegbe, & Itua, 2024).

### Statement of the Problem

Nigeria's economic growth and prosperity in the last few decades have been largely denied due to oil resources over-dependence, which has had a major impact on her economy (Ogba et al., 2018). In recent time, the new administration discovered loopholes in the Oil revenue system and declared the subsidies removed. For a year now, the economy has been in a downturn, leading to significant changes or reductions in some industries' outputs and affecting every single corner of the country. Further, the ongoing protests dubbed "#EndBadGovernment" are due to the removal of fuel subsidies, which has claimed many lives and properties mostly in the northern part of Nigeria. For this reason, this study is motivated by the search for diversification of the economy from oil to non-oil revenue to re-balance the problems related to the oil industry and hence, a driving force of the other sources (Olufemi, Olufunke, & Osmond, 2023). This study focuses more on tax revenue as a non-oil source of revenue for the Nigerian government. The implementation of important taxes such as corporate income, profit, value-added tax, customs duty and excise duty in addition to Tertiary education tax, stamp duty and other taxes is to stimulate the needed growth in the country.



## **Objectives of the Study**

The study intends to:

- i. Determine the effect of corporate income tax on economic growth in Nigeria
- ii. Investigate the effect of capital gain tax on economic growth in Nigeria
- iii. Assess the relationship between value-added tax on economic growth in Nigeria
- iv. Estimate the effect of customs and excise duties on economic growth in Nigeria

## **Research Questions**

- i. What is the effect of corporate income tax on economic growth in Nigeria?
- ii. How does capital gain tax affect economic growth in Nigeria?
- iii. What is the relationship between value-added tax on economic growth in Nigeria?
- iv. What is the effect of customs and excise duties on economic growth in Nigeria?

## **Research Hypotheses**

- H0<sub>1</sub>: Corporate income tax has no significant effect on economic growth in Nigeria
- H0<sub>2</sub>: Capital gain tax has no significant effect on economic growth in Nigeria
- H0<sub>3</sub>: Value-added tax has no significant relationship with economic growth in Nigeria
- H0<sub>4</sub>: Customs and excise duties have no significant relationship with economic growth in Nigeria

## **LITERATURE REVIEW**

### **Non-Oil Revenue**

Non-oil revenue refers to income or profits from the sale of goods, excluding oil (petroleum products) in the international market. Non-oil revenues are profits from the sale of goods in the international market, not from oil (Manama, 2016).

### **Tax Revenue**

This revenue is used to finance economic infrastructure that can translate into healthy economic growth (Mustapha et al., 2022). For example, in Nigeria, the main source of non-oil revenue is tax revenue (Oziegbe & Itua, 2024). Taxes are revenues generated from oil and non-oil projects through government policies.

### **Economic Development**

Economic development involves government creating a conducive environment for corporate businesses to thrive and using modern technology to improve people's lives (Ajayi, &



Omotunde, 2022). Therefore, economic development focuses on improving the quality of life through creating infrastructure using modern technology. The main objective of economic development is to create a good environment for communities and regions to develop new production methods to export to other countries and replicate markets (Afuberor et al., 2017).

### **Economic Growth**

Contrarily, economic growth is the rise in a nation's output over a given length of time, often a year (Abel Ndu & Emeka, 2021). Economic growth is the rise in the quantity of goods and services produced in an economy over time. It is commonly expressed as the percentage increase in a nation's Gross Domestic Product (GDP) over a one-year period.

### **Gross Domestic Product (GDP)**

Gross domestic product is the most comprehensive and generally recognized indicator of a nation's overall output or performance (Likita, Idisi, & Mavenke, 2018). Adeusi, Sunday, Emmanuel, Ose, and Aggreh (2020), see gross domestic product as the entire monetary value of all goods and services created in the domestic economy by all participants, regardless of their place of origin, as long as they are residents of that economy. Real gross domestic product is calculated after deducting the impact of inflation. Gross domestic product focuses on the monetary worth of goods and services generated in a nation within a specific time period (Ihenetu, & Wokocha, 2022).

### **Company Income Tax (CIT)**

It is one of the taxes imposed by the Federal Revenue Service and contributes to the revenue of the Nigerian government. Taxes are levied on income from business or enterprise, rental property, dividends, interest, holidays, discounts, fees, annuities, fees for services rendered and other sources of annual income or revenue (Asaolu et al., 2018).

### **Capital Gain Tax**

A tax known as capital gains is levied on the profit that is realized from an investment when it is sold. Capital gains, or profits, are referred to as having been "realised" when stock shares or any other taxable assets are sold (Joycelyn, Agule, & Adeniran, 2023). No matter how long stock shares are held or how much their value increases, they will not be subject to taxes until they are sold because the tax does not apply to unsold investments or "unrealised capital gains" (Fernando, 2021).

### **Value Added Tax**

This is a tax imposed on the value of goods and services used in a country. Value-added tax replaces sales tax. It is an indirect tax. Somorin (2015) see VAT as a direct tax applied to goods and services at all stages of production from raw materials to final products. An increase in the excise duty on the value added at each stage of processing of raw materials or production and distribution usually results in a sales tax on the final consumer. The imposition of additional taxes is due to the diversion of oil revenues from the surplus in the international market and the governments need to generate non-oil revenues.



## Customs and Excise Duties

A tariff or charge placed on products as they are carried across international boundaries is known as a customs duty. By regulating the flow of commodities, particularly restricted and prohibited goods, into and out of the nation, customs duties serve to safeguard each nation's economy, citizens, jobs, environment, and other assets (Ihenetu & Wokocha, 2022). Excise duty is a levy imposed on the sale or consumption of commodities produced locally, including manufactured goods, tobacco products, alcohol, and other items. The primary distinction between the two taxes is that the government imposes excise duty on commodities and products made domestically, whereas custom duty is imposed on goods imported from elsewhere. Essential non-oil revenue sources include customs and excise taxes, which have been important for the development of the country both before and after Nigerian oil was discovered. Buba (2007), opines customs and excise duty collection is under the purview of Nigeria Customs Services.

## Theoretical Review

Two theories were employed in this study: The Classical Theory of Economic Growth (Solow, 1956; Mincer, 1958) and the Resource Dependence Theory (Pfeffer & Salancik, 1978). The resource dependence hypothesis describes how an organisation's resources and relationships dependent with outside institutions affect its strategy, structure, and ability to survive. It contends that an organisation's capacity to obtain and manage resources is essential to its survival. The government's ability to effectively and efficiently use the resources it receives from tax revenue is what gives it the most resources available to carry out its civic responsibility, which includes providing infrastructure and other essential services for the betterment of citizens. The conventional growth models, both classical and neoclassical, explain how an economy's production increases in response to greater inputs of labour and capital, or total physical inputs. These models don't account for non-economic characteristics like human capital or health variables (Likita, Idisi & Mavenke, 2018).

## Empirical Review

### Non-oil Revenue and Economic Growth in Nigeria

Salami et al. (2018) studied the relationship between non-oil export revenue and GDP growth in Nigeria. The years covered by the investigation were 1981 through 2016. Ordinary least squares estimate was used in the investigation. They discovered Nigeria's GDP growth is influenced by exports other than oil. A long-term relationship between government spending, non-oil revenue, and economic growth in Nigeria between 1981 and 2015 is examined by (Olayungbo & Olayemi, 2018). The long-term analysis revealed a significant relationship between non-oil revenue and economic growth, while fiscal spending and economic growth were found to have a contrary relationship. The results of the causal test indicated that fiscal spending changes both non-oil revenue and economic growth, which is consistent with the Keynesian hypothesis.

### Tax Revenue and Economic Growth in Nigeria

The implications of tax income on the economic growth of Nigeria were studied by Okun and Micah (2018). Time series data from 1980 to 2016 were obtained from the Federal Inland Revenue Service and the Central Bank of Nigeria statistical bulletin. The function of the



percentages of corporate income tax, personal income tax, and customs and excise duty tax was used to estimate the real gross domestic product. In the vector error correction model (VECM) setting, the Granger causality test and the Johansen co-integration test were utilized. The regression models employed Durbin Watson,  $\beta$  Coefficient, R-Square (R<sup>2</sup>), and F-Statistics to ascertain the correlation between the independent and dependent variables. The findings demonstrated that while customs and excise taxes have a favourable impact on Nigeria's economic growth, corporate income tax and personal income tax revenue have a negative link with it. The regression analysis findings demonstrated a strong correlation between tax revenue and Nigeria's economic expansion.

### **Corporate Income Tax and Economic Growth in Nigeria**

Tanko and Shishi (2020) looked at how Taraba State's infrastructure development was impacted by revenue creation. Due to the restricted availability of data, the study's scope was confined to the years 2010–2019. Secondary data were used in the study. Capital spending was utilised as a stand-in for infrastructure development, while IGT (internally generated income), STA (statutory allocation receipt), and GTR (grant receipt) were employed as proxies for revenue. Since the study is a time series, data were analysed using regression with Newey-West standard error. The data were gathered from the Taraba State Board of Internal Revenue (TSBIR), Taraba State Planning Commission, Office of Accountant General of Taraba State, Treasury Division in Taraba State Ministry of Finance, Central Bank of Nigeria (CBN) Bulletin, newspapers, and the National Bureau of Statistics (NBS). IGR has a favourable effect on the development of infrastructure, according to the study. Doki and Abubakar (2015) investigate corporation income tax in the context of its potential as a substitute source of funding for Nigeria's sustainable development. Because of the necessity to diversify and expand the government's revenue base, which is now struggling for a variety of reasons—this investigation has taken on significant importance. The study examined the long-term link between corporation income tax and revenue generation in Nigeria using the Ordinary Least Square (OLS) method and the Co integration Test throughout the period of 1987–2013. The findings indicate that a one per cent increase in CIT contribution results in a 0.42% increase in revenue generation. The study suggests creating favourable conditions for businesses to grow so that taxes from them can be advantageous and should be set in the long run, given that CIT has demonstrated potential as a source of alternative income.

### **Capital Gain Tax and Economic Growth in Nigeria**

Obi, Emenike, and Chukwurah (2021) looked at the impact of locally generated income on the state of Anambra's local governments' infrastructure development from 2014 to 2018. The study was specifically conducted to ascertain the effects of internally generated revenue on the infrastructure related to health care, primary education, water resources, and rural electrification. While chi-square was utilised to examine the hypotheses, mean and simple percentages were employed to assess the data gathered for this investigation. The study's conclusions demonstrated that, because internal revenue is so tiny, it has no bearing on local governments' efforts to expand their infrastructure.

### **Value-Added Tax and Economic Growth in Nigeria**

Okoli and Afolayan (2015) conducted a study on Value Added Tax (VAT) and revenue collection in Nigeria. The data collected between 1994 and 2012 was analysed using the Error



Correction Model (ECM). The findings revealed that the second-longest-term source of all federal money received is VAT.

### Customs and Excise Duties and Economic Growth in Nigeria

Bello (2022) conducted a case study in Kwara state, Nigeria, to better understand the various non-oil revenue streams in Nigeria. The study was able to distinguish between the importance of the causes that underlie the challenges in earning non-oil revenues and the effects of those difficulties by using the Relative Importance Index (RII) and the chi-square independent test. Based on the challenges encountered, the results show that Customs and Excise Duties and Companies' Income Tax are the most significant non-oil revenue-generating sources.

### METHODOLOGY

Ex-post facto design was employed in the study, which used time series data for the 1994–2023 study period. This aims to investigate how Nigeria's economic development is impacted by non-oil earnings. The non-oil revenue taxes, which include the Gross Domestic Product (GDP), Customs and Excise Duties (C&ED), Stamp duty (SD), Other Levies (OL), Capital Gains Tax (CGT), Companies Income Tax (CIT), Value Added Tax (VAT), and Tertiary Education Tax (TETFUND), were the macro-economic data used. The majority of the secondary data used in this study came from the Central Bank of Nigeria (CBN) Statistical Bulletin and Federal Inland Revenue (FIRS) Statistical Reports over a 30-year period (1994–2023).

#### Measurement of Variables

The study leveraged tax revenue as a major source of non-oil revenue in Nigeria. The four most active tax types are used as the proxies of tax revenue (i.e, Corporate income tax, Capital gain tax Value added tax, and Customs and excise duties) (Oziegbe, & Itua, 2024; Ihenetu, & Wokocha, 2022; Adeusi, Sunday, Emmanuel, Ose, & Aggreh, 2020) while other types such as Tertiary Education Tax, Stamp duties and Other Levies are considered as Control variables in the study. These variables target the dependent variable (economic growth) which is measured by real gross domestic product (RGDP) (Likita, Idisi & Mavenke, 2018).

#### Method and Technique of Data Estimation

##### *Autoregressive Distributed Lagged Model*

The autoregressive distributed lagged model is thus taken from the work of (Oluwatoyin, Abiola, Romanus, Anthonia, Olabanji, Omobola, Folasade, Felicia, Oluwasogo, Ese, & Osayande, 2019) in order to accomplish the study's goal. The model as follows:

$$\Delta RGDP = \beta_0 + \sum_{i=1}^j \eta \Delta RGDP_{t-j} + \sum_{i=0}^j \varphi \Delta CIT_{t-j} + \sum_{i=0}^j \tau \Delta CGT_{t-j} + \sum_{i=0}^j \theta \Delta VAT_{t-j} + \sum_{i=0}^j \tau \Delta CED_{t-j} + \sum_{i=0}^j \tau \Delta TDT_{t-j} + \sum_{i=0}^j \tau \Delta SD_{t-j} + \sum_{i=0}^j \tau \Delta OL_{t-j} + \delta_1 \log RGDP_{t-j} + \delta_2 CIT_{t-j} + \delta_3 CGT_{t-j} + \delta_4 VAT_{t-j} + \delta_5 CED_{t-j} + \delta_6 TDT_{t-j} + \delta_7 SD_{t-j} + \delta_8 OL_{t-j} + \varepsilon$$



Where:

### Dependent Variable

Economic development is measured by real gross domestic product (RGDP)

### Independent Variable

Nonoil tax revenue is measured by the following proxies:

#### Sub-Independent Variables

Companies Income Tax (CIT)

Capital Gain Tax (CGT)

Value Added Tax (VAT)

Customs & Excise Duties (C&ED)

#### Control Variables

Tertiary Education Trust Fund (TETFUND)

Stamp Duty (SD)

Other Levies (OL)

$\beta_0$  = represents the constant and  $\epsilon_t$  is the error term.

## ANALYSIS AND INTERPRETATIONS

This aspect showed the presentation of the data collected to establish the relationship between Non-oil revenue (tax revenue) and economic development in Nigeria.

**Table 1: Descriptive Analysis**

	GDP	CIT	CGT	VAT	TDT	CED	SD	OL
Mean	47121.2 8	1024.94 4	15.4238 9	751.977 0	183.434 8	234.191 1	15.3658 7	16.4045 2
Median	45350.0 8	913.132 7	9.11055 0	623.274 7	166.650 7	187.970 4	7.49992 8	9.88270 7
Maximum	75768.9 5	2854.69 7	99.4034 0	2146.36 6	570.295 0	728.856 0	120.157 0	150.683 9
Minimum	21881.5 6	53.6645 7	0.76296 6	40.3488 7	10.7208 0	13.7015 4	0.52990 7	0.71135 6
Std. Dev.	19565.5 5	721.885 5	19.9602 0	554.875 7	126.383 1	172.300 7	23.5106 5	27.5861 0
Skewness	0.05598 1	0.88061 3	2.93446 0	1.00775 8	1.13431 4	1.14511 0	3.46258 2	4.33218 8
Kurtosis	1.43336	3.24680	12.4018	3.25598	4.38763	3.76282	15.4765	21.5952





	9	9	0	1	7	8	9	6
Jarque-Bera	2.87801 3	3.68996 8	143.311 0	4.81580 2	8.25091 0	6.79818 1	237.560 5	490.997 8
Probability	0.23716 3	0.15802 8	0.00000 0	0.09000 4	0.01615 6	0.03340 4	0.00000 0	0.00000 0
Observations	28	28	28	28	28	28	28	28

Source: E-view 9.0 (2024)

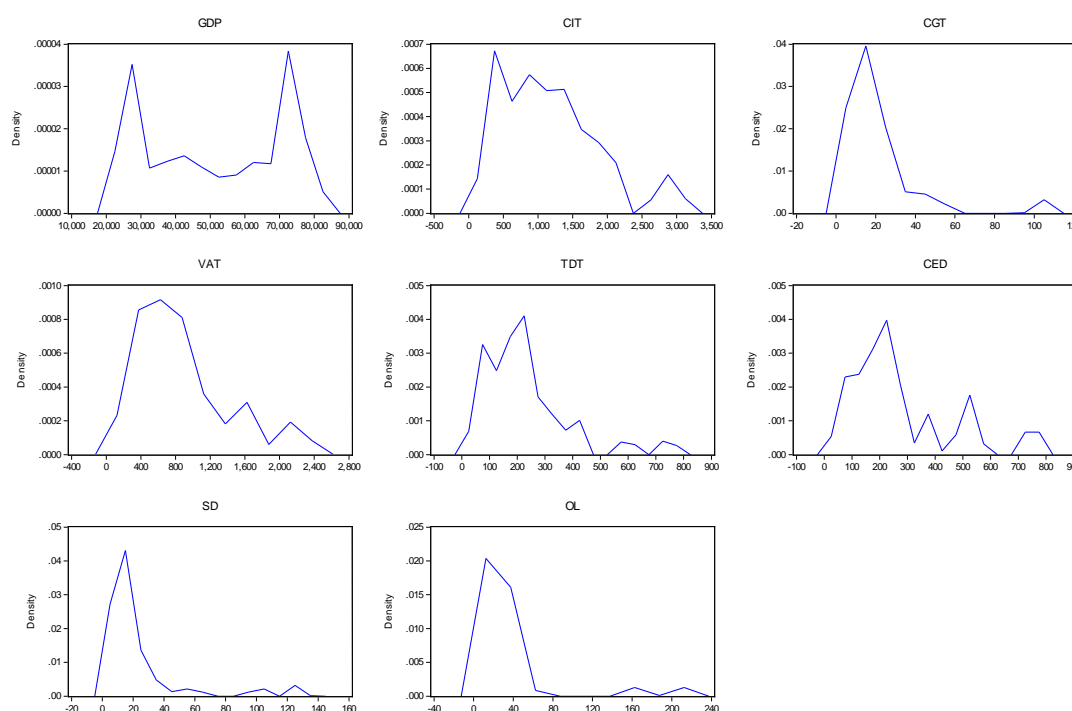


Figure 1: Graphical Illustration of the Descriptive Statistics

Source: E-view 9.0 (2024)

Table 1 shows the results of the descriptive analysis of the non-oil revenue economic growth in Nigeria for the periods of 1994 –2023. RGDP was observed to have an average value of N 47121.28 billion, and a minimum and maximum of 21881.56 billion and N75768.95 billion respectively. The variable deviated with N19565.55 billion is said to have positively skewed (0.055981) and kurtosis is platykurtic in nature (1.433369 <3). Further, RGDP exhibited a Jarque-Bera of 2.878013 indicating a non-normal distribution and statistically insignificant (i.e. 0.237163>0.05). Also, in the Table, CIT exhibited a mean value of N1024.944 billion, and the minimum and maximum of N53.66457 billion and N2854.697 billion respectively. CIT deviated with 721.8855 billion is said to have positively skewed (0.880613) and kurtosis is leptokurtic in nature as the value 3.246809 > 3. The variable (CIT) exhibited a Jarque-Bera of 3.689968 indicating a non-normal distribution and statistically insignificant (i.e. 0.158028>0.05).

Capital gain tax in the Table exhibited a mean value of N15.42389 billion, and the minimum and maximum of N0.762966 billion and N99.40340 billion respectively. CGT deviated with



N19.96020 billion is said to have positively skewed (2.934460) and kurtosis is leptokurtic as the value  $12.40180 > 3$ . The variable had a Jarque-Bera test of 143.3110 indicating a normal distribution and statistically significant (i.e.  $0.0000 > 0.05$ ). For Value added tax, the Table showed a mean value of N751.9770 billion, and the minimum and maximum of N40.34887 billion and N2146.366 billion respectively. VAT deviated with 554.8757 billion is said to have positively skewed (1.007758) and kurtosis is leptokurtic in nature as the value  $3.255981 > 3$ . The variable exhibited a Jarque-Bera of 4.815802 indicating a non-normal distribution and statistically insignificant (i.e.  $0.090004 > 0.05$ ).

Table 1 depicted an average value of ₦183.4348 billion on TDT with the minimum and maximum values of ₦10.72080 billion and ₦ 570.2950 billion respectively. TDT in the Table deviated with N126.3831 billion is said to have positively skewed (1.134314) and kurtosis is leptokurtic as the value  $4.387637 > 3$ . The variable had a Jarque-Bera test of 8.250910 indicating a normal distribution and statistically significant (i.e.  $0.016156 > 0.05$ ). For Customs & Excise Duties, the Table showed an average value of N234.1911 billion, and the minimum and maximum of N13.70154 billion and N728.8560 billion respectively. CED deviated with N172.3007 billion is said to have positively skewed (1.145110) and kurtosis is leptokurtic in nature as the value  $3.762828 > 3$ . The variable exhibited a Jarque-Bera of 6.798181 indicating a normal distribution and statistically significant (i.e.  $0.033404 < 0.05$ ).

Furthermore, Stamp duties in the Table captured a mean value of N15.36587 billion, and the minimum and maximum of N0.529907 billion and N120.1570 billion respectively. SD deviated with N23.51065 billion is said to have positively skewed (3.462582) and kurtosis is leptokurtic as the value  $15.47659 > 3$ . The variable had a Jarque-Bera test of 237.5605 indicating a normal distribution and statistically significant (i.e.  $0.0000 > 0.05$ ) while “Other levies”, in the Table showed a mean value of N16.40452 billion, and the minimum and maximum of N0.711356 billion and N150.6839 billion respectively. OL deviated with 27.58610 billion is said to have positively skewed (4.332188) and kurtosis is leptokurtic in nature as the value  $21.59526 > 3$ . The variable exhibited a Jarque-Bera of 490.9978 indicating a normal distribution and statistically significant (i.e.  $0.0000 < 0.05$ ).

### **Diagnostic Test**

To prevent inaccurate and misleading findings, the unit root test must be used to test for stationarity in the collected data set. The researcher can determine the best course of action by using unit root testing because the variables employed may be stationary or not.

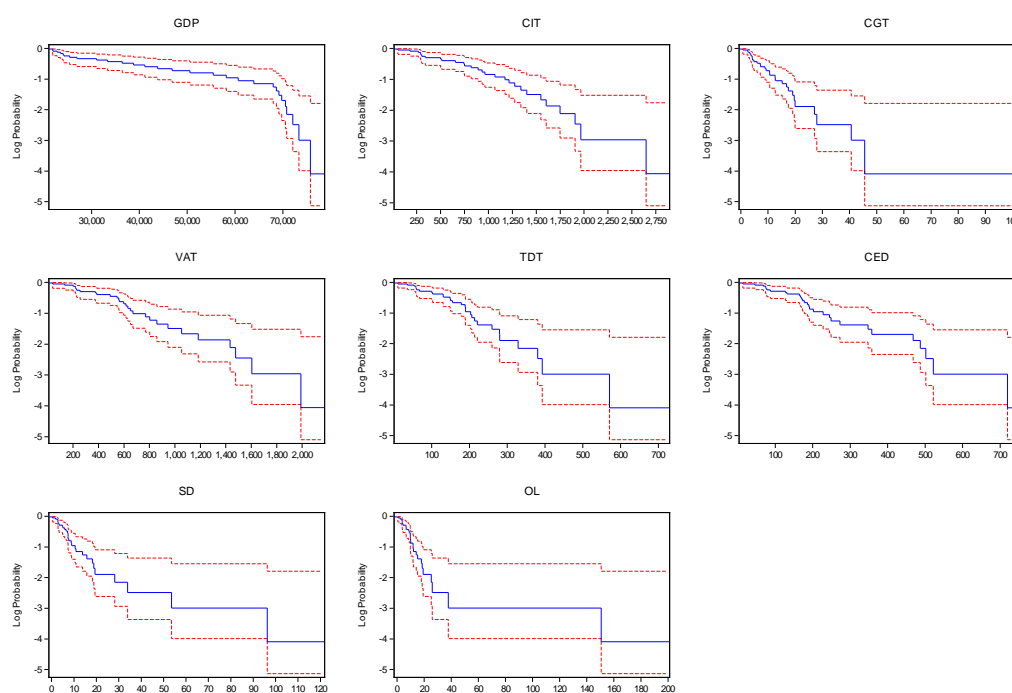
### **Unit Root Test**

If a series has a constant mean and a constant finite variance, it is referred to as stationary. In contrast, a non-stationary series has a discernible temporal trend and a time-varying variance. A series that is non-stationary will be very persistent. In order to resolve this problem, I will use the Augmented Dickey-Fuller (ADF) test to check the time series for stationarity and establish whether or not the study's variables have a unit root. Below are the results of the unit root test. The unit root test operates under the supposition that the alternative hypothesis (H1) and the null hypothesis (H0) both have unit roots.

**Table 2: Unit Root Test**

Parameters	At Level		At First difference		Order of Integration
	ADF test Statistic	Test critical value @ 5%	ADF test statistic	Test critical value @ 5%	
RGDP	0.173700	-2.967767	-3.188044	-2.971853	I(0)
CIT	-2.364740	-2.976263	-6.540946	-2.986225	I(1)
CGT	-4.883859	-2.967767	-1.183423	-3.012363	I(1)
VAT	-1.420069	-2.971853	-6.164652	-2.976263	I(1)
CED	-1.219873	-2.967767	-5.152180	-2.971853	I(1)
TDT	-1.219873	-2.967767	-5.152180	-2.971853	I(1)
SD	0.163746	-2.976263	-6.727974	-2.976263	I(1)
OL	1.673777	-2.967767	-3.601902	-2.971853	I(1)

Source: Author's computation, 2024(Eview-9.0)

**Fig. 2: Graphical Illustration on the Unit Roots**

Source: E-view 9.0

Table 2 showed that the majority of the variables are non-stationary at level except capital gain tax, but at 1st difference, it was otherwise, where only CGT is non-stationary. The analysis is a pure justification for the Co-integration test.

### Co-Integration Test

The co-integration results at the 5% level of significance were displayed in Table 3, and the results showed the presence of a co-integrating equation as follows:

**Table 3: Johansen's test of co-integration**

Date: 08/03/24 Time: 16:10

Series: GDP CIT CGT VAT TDT CED SD OL

Sample (adjusted): 1994 2022

Included observations: 28 after adjustments

Null hypothesis: Series are not cointegrated

Automatic lags specification based on Schwarz criterion (maxlag=5)

Dependent	tau-statistic	Prob.*	z-statistic	Prob.*
RGDP	-4.056076	0.5841	-21.63986	0.5086
CIT	-0.751572	1.0000	-4.159949	0.9997
CGT	-2.271930	0.9923	10.73670	0.0000
VAT	-0.387103	1.0000	-1.398476	0.9980
TDT	-1.029637	1.0000	3.657864	0.0000
CED	-0.174688	1.0000	-0.439875	0.9939
SD	0.346148	1.0000	1.188665	0.9488
OL	-4.546016	0.3875	-27.29273	0.1664

\*MacKinnon (1996) p-values.

Warning: p-values may not be accurate for fewer than 30 observations.

*Source: E-view 9.0 (2024)*

Table 4 shows the results of the co-integration tests to demonstrate the existence of short-run or long-term relationships that exist among the variables of interest. The tau-statistic and z-statistic of most of the variables (i.e., RGDP, CIT, VAT, CED, SD, and OL) showed that there is not enough evidence to reject the null hypothesis of serial co-integration. That is, the stated variable might respond to the short-run economic shock while CGT and TDT exhibited a long-run relationship.

**Vector Error Correction Estimates (VECE)**

Cointegrated variables or cointegrating relationships are analysed using the model. It offers a way to comprehend both the short- and long-term behaviour of the system's variables.

**Table 4: Vector Error Correction Estimates**

Error Correction:	D(CIT)	D(VAT)	D(CGT)
R-squared	0.930797	0.934724	0.811919



Adj. R-squared	0.852943	0.861289	0.600328
Sum sq. resids	84922.79	25911.35	3340.558
S.E. equation	103.0308	56.91150	20.43452
F-statistic	11.95571	12.72857	3.837208
Log likelihood	-101.6730	-90.98948	-72.55259
Akaike AIC	12.40811	11.22105	9.172510
Schwarz SC	12.90277	11.71570	9.667161
Mean dependent	139.9106	130.4565	2.531789
S.D. dependent	268.6731	152.8076	32.32307

Determinant resid covariance (dof adj.)	1.66E+09
Determinant resid covariance	1.45E+08
Log likelihood	-245.7736
Akaike information criterion	30.97485
Schwarz criterion	32.60720

**Source:** E-view 9.0 (2024)

In the analysis above, there was a satisfactory fit implied by the  $R^2$  values and the modified  $R^2$  for CIT, CGT, and VAT. The AIC and Schwarz values in Table 4 may be optimised though, as a higher mean correlation value above the standard deviation suggests a greater likelihood that the model would fail to capture distinct data.

### Table 5: Optimal Lag Test

Table 5: Model Selection Criteria

Table

Dependent Variable: GDP

Date: 08/03/24 Time: 16:19

Sample: 1994 2023

Included observations: 27

Model	LogL	AIC*	BIC	HQ	Adj. R-sq	Specification
1	-219.113106	16.897267	17.329213	17.025707	0.997359	ARDL(1, 0, 0, 0, 0, 0, 0)

**Source:** E-view 9.0 (2024)

The ARDL selection criteria for the model that uses GDP data are shown in this table. The model suggests that the model with the optimal balance between model fit and complexity is the one with AIC, BIC, and HQ values. The selected model appeared to explain almost all of the variation in the dependent variable (GDP), according to the modified  $R^2$  of 0.997359.



### Table 6: ARDL Bound Test

ARDL Bounds Test

Date: 08/04/24 Time: 15:19

Sample: 1996 2022

Included observations: 26

Null Hypothesis: No long-run relationships exist

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Test Statistic	Value	K
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F-statistic	2.681454	7
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#### Critical Value Bounds

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Significance	I0 Bound	I1 Bound
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10%	2.03	3.13
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5%	2.32	3.5
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2.5%	2.6	3.84
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1%	2.96	4.26
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**Source:** E-view 9.0 (2024)

**Note:** K is the number of regressors, and n shows the number of observations. The lower limit is represented by I (0), and the upper barrier by I (1).

**Decision rule:** A long-term association is present if the F-statistic value is above the top boundary and absent if it is below the lower boundary. The long-term association is unclear if the F-statistic falls between the lowest and upper bounds. Table 6 demonstrated a strong exogeneity on RGDP, corporate income tax, capital gain tax, value-added tax revenue, customs and excise duties and other control variables, the null hypothesis of no long-run relationship is rejected at the 5% significant level (i.e.  $2.34 < 7 > 3.5$ ).

### ARDL Regression Analysis

Table 7 displays the findings of the ARDL regression estimate. The following table displays the anticipated results of the regression analysis on the gross domestic product (RGDP), corporate income tax, capital gain tax, value-added tax revenue, customs and excise taxes, and other control variables.

**Table 7: ARDL Regression Analysis**

Dependent Variable: D(GDP)

Method: Least Squares

Date: 08/04/24 Time: 15:19

Sample: 1996 2022

Included observations: 26

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(RGDP(-1))	0.162329	0.242324	0.669887	0.5125
C	322.3973	851.3319	0.378698	0.7099
CIT(-1)	-5.908801	3.179945	-1.858146	0.0816
CGT(-1)	-18.98413	16.48698	-1.151462	0.2665
VAT(-1)	-1.594706	7.225434	-0.220707	0.8281
CED(-1)	36.91222	25.77661	1.432005	0.1714
TDT(-1)	22.50866	8.842618	2.545475	0.0216
SD(-1)	-8.873299	20.80553	-0.426487	0.6754
OL(-1)	-457.9680	412.1877	-1.111067	0.2830
GDP(-1)	0.035957	0.033377	1.077281	0.2973
R-squared	0.691980	Mean dependent var	2115.967	
Adjusted R-squared	0.518719	S.D. dependent var	1391.279	
S.E. of regression	965.1921	Akaike info criterion	16.86625	
Sum squared resid	14905533	Schwarz criterion	17.35014	
Log likelihood	-209.2613	Hannan-Quinn criter.	17.00560	
F-statistic	3.993851	Durbin-Watson stat	1.938331	
Prob(F-statistic)	0.007778			

**Source:** E-view 9.0 (2024)

The results showed that the coefficients of variation for the lag values showed that the RGDP was positively impacted by TDT and CED, while negatively impacted by CIT, CGT, VAT, and SD. The ARDL model's  $R^2$  and Adjusted  $R^2$  statistics together explained almost 69% of the variation in RGDP, according to the adjusted  $R^2$  of 0.518719. This implies that a significant portion of volatility is still unaccounted for despite the model's poor predictive power. According to the mean dependent value of 2115.967, RGDP looked to have a positive average value; nevertheless, the standard deviation of 1391.279 indicates that RGDP has significant volatility over time. Though many of the connections lack statistical significance, the ARDL model provides some interesting insights into the relationship between GDP and various tax types. As such, the results should be interpreted with caution.



## DISCUSSION OF RESULTS

The study completely leveraged tax revenue as a major non-oil revenue in Nigeria. Based on the analysis, it was observed that among the tax types employed in the study, only customs and excise duties and Tertiary education tax exhibited positive and significant effects on economic growth. The inadequate contribution of tax revenue to the economic growth of Nigeria could be as a result of two reasons. One is probably the lack of an effective and efficient tax administrative system which includes the tax process and tax reform that are capable of bringing tax dodgers to the tax net. An effective tax administrative system is capable of increasing total tax revenue and would enable the government to run capital and recurrent expenditures to foster the need for growth in Nigeria. Secondly, the issue could also be a result of public funds embezzlement by the cabals and other public officers. This is called “corruption” which seemed to be normal in most public and practice offices in Nigeria.

Further, the findings showed that the channel of non-oil revenue (tax revenue) needs to be explored effectually to achieve its aim and objectives. Also, there is a need to set up strong institutional settings that tend to critically examine tax components more stringently in order to note the growth-enhancing patterns (Adegboye, Alao-Owunna & Egharevba, 2018). The result is similar to findings by Adeusi, Sunday, Emmanuel, Ose, and Aggreh, (2020) argued that aggregate tax compositions in Nigeria do not effectively promote growth in the economy. Rather, it is the focus on individual tax patterns that exert significant short-term effects on growth.

## CONCLUSION

Nigeria as a country with above 200 million people, and natural endowments has several advantages over oil revenue. It is extremely easy for the country to explore revenue through her natural endowments and business. However, the current study focused on tax revenue which seemed to be one of the biggest revenue sources in Nigeria. Nonetheless, based on the findings, it was revealed that aggregate tax revenue does not show the hope of taking the country to the promised land, as only two (CED and TDT) showed a positive relationship with the economic growth of the country. This implied that tax reform in Nigeria should be continuously practised and more improvement is needed on the tax process, just like the improvement on the “Amada process” that led to Tax Promax, in order to achieve the set objectives in Nigeria.

## RECOMMENDATIONS

Drawn from the conclusion, the following recommendations are suggested:

1. The Nigerian government needs to pay more attention to tax revenue since it has the ability to promote the necessary growth in the nation.
2. The Nigerian tax administration ought to organise public lectures, seminars, and workshops about the value and advantages of tax income for the country's economy.





3. The government ought to improve on tax reform to bring every tax dodger into the tax net.
4. The government ought to use strategies that entail offering tax breaks to people, businesses, and organisations that have paid their taxes on time. This would encourage these businesses to keep paying their taxes when they are due.
5. The Nigerian government ought to use the tax revenue wisely to enhance capital and ongoing spending as well as infrastructure improvements. This would incentivise the general public to continue paying taxes and to reap the benefits of doing so.
6. The tax regulatory agencies ought to oversee tax income in a more efficient manner. This would enhance the security and safety of Nigeria's tax revenue goals.
7. The economy was significantly impacted negatively by company income tax. Therefore, tax authorities ought to incentivise businesses to pay taxes in order to boost economic growth, which will benefit the businesses.

### Gaps and Suggestions for Further Studies

The study has established the Non-Oil Revenue and its impact on Economic Development but leveraging on tax revenue in Nigeria, To the best of my knowledge, there have been several studies on Non-Oil Revenue across many sectors (agriculture, mining, manufacturing, etc.) but few exists focusing on tax revenue as a major revenue to foster the need economic development in Nigeria. This study has identified the effect of CED and TDT on the economic growth in Nigeria and stated the possible reasons for the inadequate contribution of other tax types. So, therefore, I suggest further studies to explore the effect of digitalisation of non-oil revenue (tax revenue) on the economic development of Nigeria

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