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EMPIRICAL ANALYSIS OF IMPACT OF NON-OIL TAX REVENUE ON ECONOMIC GROWTH IN NIGERIA

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Abstract

This study examined the impact of non-oil tax revenue on economic growth in Nigeria, using four variables of Personal Income Tax Revenue (PITR), Company Income Tax Revenue (CITR), Value Added Tax Revenue (VATR) and Custom and Excise Duties tax Revenue (CEDR) as proxied by Real Gross Domestic Product of Nigeria. In this study, ex-post facto research design, was adopted in obtaining, analysing and interpretation of data drawn from Central Bank of Nigeria (CBN), National Bureau of Statistics (NBS) and Federal Inland Revenue Services (FIRS), Federal Ministry of Finance (FMF) and National Planning publications (NPP). Auto Regressive Distributive Lag (ARDL) Model was employed to analyse the data collected after subjecting the series to Pre-Estimation Tests such as: descriptive test, unit root test, co-integration tests: (Parsimonious Error Correction Term, ARDL Co-integration short-run and long-run tests), and Post-Estimation Tests such as: Stability test, Ramsey RESET test, Herteroskedasticity test, and Normal test. The result of the study showed that PITR with coeff of -0.892349, and PV of 0.0004, had a negative and statistically significance. CITR with coef of 341.9861 and PV of 0.0002 had a positive significant relationship with economic growth, VATR revealed coeff of 0.132950 and PV of 0.0001, a positive significant relationship with economic growth and CEDR exhibited coeff of -3.840593 and p-value of 0.6265, a negative insignificant relationship with economic growth. The study recommends that government should focus on reducing to the bearest minimum the high inflation, high exchange rate, epileptic power supply and insecurity affecting and depleting PITR, CITR and VATR revenues, and also to strengthened regulations on tax compliance in order to restrain tax evasion and avoidance. More attention to (CEDR) by increasing Custom personnel welfare and equipments which will yield more revenues and bring about economic growth of the country.

Keywords: Nigeria, Gross Domestic Product; Economic Growth, Non-oil Tax Revenue.

1. Introduction

Non-oil tax revenue has been a topical issue of discussion for decades in the global arena as countries strive to maximize their revenues in order to raise the revenues needed for economic growth of their various nations. Non-oil tax revenue is referred to as those groups of activities that are outside petroleum and gas industry which forms a crucial sector in Nigeria. Nigeria from the creation of the state called “Nigeria”, has always been an agrarian society through cash crops like palm produce, cocoa, groundnut, rubber, and

timber among others. Nigeria is made up 36 States with the Land Mark of 910,770 Sq km as at 2022, of which no State has less than Eight (8) natural resources, and being the “Giant” of Africa is no doubt among the African countries with the highest population, best vegetation, endowed with variety of different natural resources, but today tagged among the ‘Poverty Capital Nations in the World’. It is saddened that most of these minerals are yet to be exploited for the enrichment and development of Nigeria Economy and her citizens (UN Statistics Division & Wikipedia 2022).

According to Adams (2013), non-oil tax revenue in Nigeria comprises company income tax, Personal income tax, Value Added tax, custom and excise duties and independent revenue sources which consist of fees, licenses, rent on government property. The issue of generating government revenue is a general phenomenon that affects every economy in the world, since the funds are used to provide the infrastructural facilities that would help attain economic growth and development. Revenue generation amongst other things is directed towards meeting the basic social and infrastructural needs of its citizenry (World Bank, 2007). As more revenues are generated, the government is equipped with more funds to carry out developmental projects which would bring about output growth. Thus, non-oil tax revenues are primarily aimed at financing public expenditures. They are also used to promote other objectives such as equity and to address social and economic concerns. Theoretically and empirically, it has been established that revenue generation is very paramount to enhancing sustainable growth and development in any nation (Budget Non– Oil Revenue and Economic Growth in Nigeria (1990 – 2021), 150 Office of the Federation, BOF (2020).

In China and other developed nations of the world, the introduction of value-added tax (VAT) which is revenue from non-oil has helped to develop the countries tremendously. It has also encouraged the manufacturers to upgrade their outdated technology and make bigger investments in research and development. Statistics reveal that in 2015, VAT contributed 50 percent of the gross domestic product of China's economy (Klynveld Peat Marwick Goerdeler, [KPMG], 2021). Furthermore, in 2019, on average, countries from the Organization for Economic Co-operation and Development (OECD) collected about 32 percent of their total revenue from VATs and 27 percent from Company Income Tax (National Bureau of Statistics [NBS], 2021). In some African countries like Kenya, Senegal, Cote d' Ivoire, South Africa, VAT and CIT have become important contributors to total government revenues. VAT is a consumption tax that is relatively easy to administer and difficult to evade and

it has been embraced by many countries world-wide (BudgiT, 2020).

Nigeria, evidence has supported that VAT is a significant source of revenue. For example, the revenue from VAT in 1994 when it was introduced was about 4.09 percent. In 2015 non-oil tax revenue collected by all tiers of government in Nigeria averaged 4 percent of national income. However, non-oil tax revenue was 8 percent in Angola, 16 percent in Ghana, 24 percent in South Africa and 18 percent in Kenya (BOF, 2020). Nigeria generates significantly lower tax revenues than other key economies in Sub Saharan Africa due to poor tax compliance and exemption of some agricultural produce as well as transportation and accommodation from VAT (BOF, 2020). The revenue of Nigeria is too low for the status and size of its GDP. In Nigeria, revenue from taxation can be categorized into oil and non-oil tax revenue. Oil tax revenues are revenues that arise from taxes on incomes and profits of oil producing companies operating in Nigeria. These are Petroleum Profit Tax (PPT) and royalty from economic rent relating to oil extraction. On the other hand, non-oil tax revenues are revenues that arise from other taxes than from oil related activities. These are personal income tax (PIT), company income tax (CIT), valued added tax (VAT), capital gain tax (CGT), custom and excise duties (CED), and stamp duty (ST), amongst others. Over the years, the major source of revenue to the Nigeria government is oil revenue. It has contributed over half of the total revenue annually up to 85% for the government to neglect the non-oil sector (Okezie & Azubike, 2016).

Organization for Economic Cooperation and Development [OECD] (2010), a nation cannot grow meaningfully if the tax revenue is less than 15 percent of national income. Available statistics from BudgiT (2019) show that Nigeria's tax to gross domestic product is less than 5 percent, way below average Sub-Saharan African tax to GDP of 15 percent. Gross domestic product declined by 6.10 percent year on year in real terms which was as a result of global disruptions due to Covid-19 that caused the prices of oil to fall from \$60 per barrel in 2019 to \$29.20 per barrel in

second quarter 2020 (Central Bank of Nigeria [CBN], 2020). The public expenditure increase from N3,819.20 in 1977 to N4,805.20 million in 1980, and further increase from N362, 919.60 million in 1990 to N461, 600 in 2000; N1,589,270 million in 2007, from N5004.60 million in 1977 to N10, 163. 40 million in 1980 to N24,048.60 in 1990, and further increase from N239, 450.90 million in 2000 to N759, 323 million in 2007.

2. Literature Review

2.1 Conceptual Review

Non- Oil Tax Revenue: Non-oil tax revenue is revenues from direct and indirect taxes paid by other sectors of the economy other than the oil sector. The direct taxes are personal income tax (PIT), company income tax (CIT), capital gain tax, withholding tax and education tax, while the indirect taxes are valued added tax (VAT), and custom and excise duties (CED). According to Central Bank of Nigeria (2017), non-oil revenue refers to revenues that are not oil related. They include revenues from Nigeria Customs Service such as import duty, excise duty and other levies; revenue from Federal Inland Revenue (FIRS); such as corporate tax, value-added tax, education tax etc; FGN Independent Revenue consisting of operating surplus, consolidated revenues etc.

Economic Growth: According to Olopade and Olopade (2010), growth means an increase in economic activities. Ayres and Warr (2006) define economic growth as a rise in the total output (goods or services) produced by a country. It indicates a rise in the capability of country to produce goods and services, compared from one period to another. Economic growth is defined by Dwivedi (2004) as the net national product over a period of time or a persistent rise in the nation's per capita output over a long period of time. This indicates that the rate of population growth is lower than the rate of increase in total output. The increase in the value of goods and services produced within a country over a specified period of time is known as economic growth.

2.2 Theoretical Review

Classical Theory of Taxation

The classical theory of taxation was propounded by Adams Smith (1776), in book "An Inquiry into the Wealth of Nations" which was later developed by David Richard (1817) and Charles F Babbage (1945). The objective of the theory is basically concerned with how the wealth of nations or production capacity of the economy can be increased through private enterprise working on the basis of free market mechanism to ensure efficient use of resources, and rapid economic growth if left unfettered.

The assumption of the theory was that proceeds from taxes should be spent by the government for general or common benefits of all people. The theory also assumed that a good tax system must fulfill certain principles, if it is to raise adequate revenue to satisfy certain social objectives, and believe that taxation revenue was the only source of revenue to the state, which should be administered through the principle of equity, certainty, convenience and efficiency. The Classical theorists emphasises that taxation causes loss of welfare and distorts efficient resources allocation.

2.3. Empirical Review

Agunbiade and Idebi (2020) investigated the impact of non-oil tax revenue on economic growth in Nigeria for the period from 1981–2019, using CIT, VAT, and PPT. The National Bureau of Statistics (NBS) and Federal Inland Revenue Service were the data's primary sources (FIRS). The VECM was used in the study to determine the type and degree of the association between taxation and economic growth. The Johansen co-integration test demonstrates that there is at least one co-integrating equation between the variables over the long term. The Granger causality test revealed a causal link between GDP and the various tax components. The findings that the VAT, CIT and PPT shocks have an ongoing effect on GDP growth over the stipulated time under discussion are supported by the impulse response functions and the variance decomposition analysis. According to variance decomposition research, the

shock to direct taxes (CIT and PPT) likely to have little impact on GDP growth, whereas the shock to indirect taxes (VAT) tends to have a major enduring impact.

Nedra and Kavita (2020) also examined the impact of non-oil revenue on the economy of Saudi Arabia for the period of 1994 to 2019, in order to ascertain the short and long-run relationship among the variables, and how they impacted the economic growth in Saudi Arabia. This study assumed that there is exchange relationship between the tax payer and the government. And this found in PIT, CIT VAT and CED, relationship with the economic growth which the levies paid for non-oil taxes is a reflection of the benefits received in the consumptions of social goods. While the tax revenue received by the government is ploughed back for the sustaining economic growth through the provision of infrastructures, maintenance of law and other amenities. The study utilized ordinary least square method to estimate the parameters of the model, and found that VAT and CED have positive and significant impact on economic growth while PIT and CIT have negative but significant impact on economic growth in Nigeria. The findings showed that non-oil tax revenue (VAT, CIT, PIT) exerts positive and industrial impact on economic growth in Saudi Arabia

Adeusi (2020) studied the impact of non-oil tax revenue on economic growth in Nigeria between 1994 and 2018. The variables used in the study include value added tax (VAT), companies income tax (CIT), personal income tax (PIT) and customs and excise duties (CED), in order to ascertain the short and long-run relationship among the variables, and how they impacted the economic growth in Nigeria. The study utilized ordinary least square method to estimate the parameters of the model. The study found that VAT and CED have positive and insignificant impact on economic growth while PIT and CIT have negative but significant impact on economic growth in Nigeria. The government of Nigeria should focus on CIT revenue by increasing CIT and formulating strong policy that will help to curb high electricity tariff, high exchange rate, high inflation, banditry and kidnapping that are causing obstruction to corporate activities. And also encourage

entrepreneur development and strengthened regulations on tax compliance in order to restrained tax evasion and avoidance. The revenue from VAT should be properly redistributed or channeled to infrastructural developments that will bring about economic growth of the country. And the CED revenue collection should be properly monitored and invested in economic growth activities of the country.

Ogbonna (2021) conducted a research on the impact of non-oil revenue on economic growth in Nigeria between 1981 and 2019. The study employed ARDL model to examine the impact and the result showed that non-oil tax revenue has positive and significant impact on economic growth in Nigeria

Yahaya and Yusuf (2019) studied the impact of non-oil revenue on economic growth in Nigeria spanning from 1981 to 2018, in order to ascertain the short and long-run relationship among the variables, and how they impacted the economic growth in Nigeria. The study employed Autoregressive Distributed Lag model and the result showed that Value-Added Tax, (VAT), Companies Income Tax (CIT) and Customs and Excise Duties (CED) have positive but insignificant impact on economic growth. The government of Nigeria should reduce CIT to about 18% and formulating strong policy to curb high electricity tariff, high exchange rate, high inflation, banditry and kidnapping that are causing obstruction to corporate activities, this will help to generate more revenue from the companies' income that will further strengthened non-oil tax revenue on economic growth in Nigeria. And also encourage entrepreneur development and strengthened regulations on tax compliance in order to restrained tax evasion and avoidance.

3. Methodology

3.1. Research Design

In this study ex-post facto design was adopted in obtaining, analyzing and interpretation of the data required for this study. Retrospective data already collected are used to established causal relationships among the variables in the model. Under this design,

hypothesis testing tools would be used to determine causes, effects and co-relational relationship among the variables since there is no way to determine the rational behaviour of these variables through practical experience. The parameters of the estimated models were evaluated using relevant econometric and statistical tools.

3.2 Theoretical Framework

The study is anchored on the Keynesian theory of taxation developed by a British economist, J M Keynes (1936), in his theory, Keynes attempted to scientifically explain that the state (government) through its expenditure and non-oil revenue (taxation) influences national output, employment and inflation forms the theoretical basis for this study. They affirmed this reason and justify the imposition of taxes for financing states activities and from the provision of a basis for apportioning the tax burden between members of the society. And also advocated that a tax system should not be designed to serve individuals but one that cures the ills of the society as a whole. The society really is made up of individuals, but is more than the sum of total of individuals members. The law predicts that the growth of an industrial economy will be accompanied by increased Tax revenue in gross national product.

Consequently, the tax system should be directed towards the health of the society as a whole, since individuals are integral part of the broader society. The study is anchored on the Keynesian's macroeconomic theory rooted on the circular flow of income, enunciated in his national income behavioural identity/equation as follows:

$$Q = Y = E = AD = Cd + I + G + E - M \dots\dots(1)$$

Where:

Q = Value of the national output of goods and services produced in an economy over a period of time;

Y = Total income earned by all factors of production for engaging themselves in production;

E = Total expenditure for purchasing the goods and services produced;

AD = Aggregate demand

Cd = Consumption expenditure by the household sector

I = Investment by corporate or business sector;

G = Government Expenditure

X = Goods and services produced in the country but exported to other countries; and

M = Goods and services produced by other countries but utilized in Nigeria.

The above identity represents the circular flow of income behavioural equation, and from here, it is well known that government expenditures are funded through taxation from non-oil tax revenue. It could be recalled that when government expenditure is equal to government tax as depicted under the balance budget scenario, through the multiplier, there will still be increase in the aggregate demand (national income), there is therefore positive relationship between tax revenue and economic growth.

3.3 Model for the Study

The model adopted for this study is Autoregressive Distributed lag developed by Peraran Smith & Shin (2001). The model is capable of evaluating macroeconomic variables by explaining vividly that best capture the two-way relationship existing between the variables under study using lag numbers.

3.4 Model Specification

This study adopted the model of Adeigbe (2020), who examined the Impact of Non-Oil Tax Revenue on Economic Growth of Nigeria, with modifications. The study used Value Added Tax (VAT), Company Income Tax (CIT) and Federal Independent Revenue (FIR) as independent variables and Gross Domestic Product (GDP), as dependent variable. His model was stated thus:

$$GDPT = f(VAT, CIT, FIR) \dots\dots\dots(2)$$

Where:

GDP = Gross Domestic Product

VAT = Value Added Tax

CIT = Company Income Tax

FIR = Federal Independent Revenue

Equation 3.5 was modified by including the variables of this study and stated that Economic Growth proxied by GDP is a function of PITR, CITR, VATR, CEDR as follows:

$$GDP = f(PITR, CITR, VATR, CEDR) \dots (3)$$

Equation 3 was stated in econometric form as:

$$GDP_t = \beta_0 + \beta_1 PITR + \beta_2 CITR + \beta_3 VATR + \beta_4 CEDR + Ut \dots (4)$$

Where:

GDP = Gross Domestic Product at time t;

PITR = Personal Income Tax Revenue

CITR = Company Income Tax Revenue

VATR = Value Added Tax Revenue

CEDR = Custom and Excise Duties Revenue

β_0 = Intercept

$\beta_1 - \beta_4$ = Coefficient of parameters

ECT = Error Correction terms

Income Tax (CITR), Value Added Tax (VATR) and Custom and Excise Duties (CEDR) are expected to have positive effects on economic growth in Nigeria. In the light of the above, all the variables are expected to increase with increase in economic growth in Nigeria. Summarily, the expected signs of the coefficient of the explanatory variables: $\beta_1, \beta_2, \beta_3, \beta_4 > 0$.

4. Results and Discussion

This study made use of five variables namely the Gross Domestic Product (GDP), Personal Income Tax (PITR), Company Income Tax (CITR), Value Added Tax (VATR), Custom and Excise Duties (CEDR). These sets of the data (secondary data) presented in appendix A attached, were sourced from the annual time series Statistical Bulletin of the Central Bank of Nigeria (CBN), National Bureau of Statistics (NBS), Federal Inland Revenue Service (FIRS) and the World Bank Indicators for 42 years spanning from 1981- 2022.

On apriori, all the explanatory variables of non-oil tax revenue- Personal Income Tax (PITR), Company

Table 1: Summary of the statistics of the study

	GDP	PITR	CITR	VATR	CEDR
Mean	36109.46	137389.6	487.9833	211276.6	255.8110
Median	24477.91	6894.000	61.35000	52810.50	151.8000
Maximum	69500.87	572321.0	2554.790	972348.0	878.0200
Minimum	13779.26	98.00000	0.400000	0.000000	1.080000
Std. Dev.	21055.26	204602.6	757.7554	302592.1	290.3449
Skewness	0.548765	1.190727	1.623899	1.277091	1.006482
Kurtosis	1.626272	2.778639	4.491054	3.104050	2.647268
Jarque-Bera	5.410476	10.01057	22.35001	11.43567	7.308783
Probability	0.066854	0.006702	0.000014	0.003287	0.025877
Sum	1516598.	5770362.	20495.30	8873615.	10744.06
Sum Sq. Dev.	1.82E+10	1.72E+12	23541921	3.75E+12	3456305.
Observations	42	42	42	42	42

Source: Researcher's computation 2023 via E-view 12.0 version

This test Descriptive Statistics was performed to determine whether a data set has a normal distribution. It describes the averages of the mean, median of both maximum and minimum values. Standard deviation measures the spreads deviation, Skewness looks at the symmetry and Kurtosis looks at the centrality of the

peak. From the above table 1 result, the non-oil tax revenue variables showed positive average values. The skewness values for all the variables which were negative, implies that they are skewed to the left and those with positive values are skewed to the right. Jarque

Bera accepts the null hypothesis that all the variables are normally distributed.

4.1 Unit Root (Stationarity) Test

Table 2: Unit Root Test Result via Augmented Dickey-Fuller (ADF)

Unit Root at Level					
Variables	Critical Statistics	T-ADF T-Statistics	P-Values	Order of Integration	
GDP	-3.523623	-9.977319	0.0001	I(1)	
PITR	-3.568379	-4.942042	0.0021	I(1)	
CITR	-3.548490	-5.434673	0.0000	I(0)	
VATR	-3.540328	-6.496376	0.0000	I(1)	
CEDR	-3.533083	-8.090269	0.0000	I(1)	

Source: E-view 12.0 version; NOTE: Test was conducted at 5% Level of Significance

The result of the unit root test reported in the table above indicated that GDP, PIT, VAT and CED are stationary at first level 1(1) differencing, while CIT are stationary at level 1(0) differencing, showing that the variables have mixed order of integration. Since the variables were found to be stationary at level and first

level differencing, justify the need to examine the long-run relationship among the variables. Therefore, the variables under the study were suitable for the application of Autoregressive Distributed Lag (ARDL) Model.

4.2 Co-integration Bound Test Result

Table 3: Co-integration Bounds Test Result

F-Bounds Test		Null Hypothesis: No levels relationship		
Test Statistic	Value	Signif.	I(0)	I(1)
Asymptotic: n=1000				
F-statistic	31.09058	10%	3.03	4.06
K	6	5%	3.47	4.57
		2.5%	3.89	5.07
		1%	4.4	5.72

Source: E-view 12.0 version

From the table 3 above, it can be observed that the value of the F-statistic 31.09058 is greater than 5% critical value at 1(0) and 1(1) bounds, therefore, we reject the null hypothesis and conclude that there is a long-run relationship existence among the variables. Consequently, both long-run and short-run dynamic

model was estimated using co-integrating and long-run form regression technique. The use of ordinary least square (OLS) technique on this study estimate is inappropriate; hence, some of the assumptions are no more current.

Table 4: ARDL Parsimonious Error Correction Term (ECT) Regression Results

Unrestricted Constant and Unrestricted Trend				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	22335.94	1789.667	12.48050	0.0000
@TREND	1292.536	93.68742	13.79626	0.0000
D(GDP(-1))	0.651433	0.067028	9.718892	0.0000

D(PITR)	-0.364855	0.029037	-12.56520	0.0000
D(CITR)	-255.9291	19.76080	-12.95135	0.0000
D(VATR)	-0.049145	0.005563	-8.833727	0.0000
D(CEDR)	-24.47113	8.775777	-2.788486	0.0164
ECT (-1)	-1.887690	0.131118	-14.39689	0.0000
R-squared	0.994511	Mean dependent var		1465.767
Adjusted R-squared	0.987307	S.D. dependent var		7577.453
S.E. of regression	853.6972	Akaike info criterion		16.62993
Sum squared resid	11660781	Schwarz criterion		17.57800
Log likelihood	-293.9686	Hannan-Quinn criter.		16.96725
F-statistic	138.0482	Durbin-Watson stat		1.663070
Prob(F-statistic)	0.000000			

Source: E-view 12.0 version

As expected, the lagged coefficient of Error Correction Term (ECT-1) is negative, less than unity and statistically significance at 5% as captured by -1.887690, and p-value 0.0000. Co-efficient of (ECT -1), revealed that once there is disequilibrium in the system, it will take an average of (annual) speed of 118.88% to restore the long-run relationship between the non-oil tax revenue and economic growth in Nigeria. In other words, when the relationship between the non-oil tax revenue and economic growth in Nigeria is above or below the equilibrium level, the system will adjust itself by approximately 118.88% within the first year to ensure full convergence to its equilibrium level. This finding corroborated the fact that a high significant lagged error correction terms proves the existence of long-run relationship between dependent and independent variables; and its ability to adjust from

disequilibrium state towards equilibrium level (Bnnerjee, Dolado and Mestre, 1988).

The co-efficient of determination (R-Square), which was used to measure the goodness of fit of estimated model, implies that the model is reasonably fit for prediction. The R-square showed that 99.45% change in GDP, were collectively due to PITR, CITR, VATR and CEDR, while 0.55%, which is the uncounted variations was captured by the (White noise) error term.

From table 4 above, the result showed that there is no evidence of autocorrelation as indicated by DW statistic of (1.663070), the p-value (0.0000) and the F-statistic (138. 0482). This implies that in ARDL Error Correction Term, there is presence of co-integration or long-run relationship existence between non-oil tax revenue and GDP in Nigeria.

Table 5: ARDL Co-integration Short and Long-run Result

Conditional Error Correction Regression				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	22335.94	3785.177	5.900897	0.0001
@TREND	1292.536	242.8861	5.321574	0.0002
GDP(-1)*	-1.887690	0.333022	-5.668364	0.0001
PITR(-1)	-1.684563	0.208142	-8.093345	0.0000
CITR(-1)	645.5636	81.29891	7.940618	0.0000
VATR(-1)	0.250968	0.028932	8.674524	0.0000
CEDR(-1)	-7.249848	14.32186	-0.506208	0.6219
Unrestricted Constant and Unrestricted Trend				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
PITR	-0.892394	0.181900	-4.905949	0.0004
CITR	341.9861	66.24314	5.162588	0.0002
VATR	0.132950	0.022833	5.822728	0.0001
CEDR	-3.840593	7.689162	-0.499481	0.6265

Source: Researcher's Computation 2023 via E-view 12.0 version

Our fitted regression line becomes:

$$\text{GDP} = 2235.94 - 0.892394\text{PITR} + 341.9861\text{CITR} + 0.132950\text{VATR} - 3.840593\text{CEDR} - 1.887690 \dots (6)$$

From table 5 above, the result from the short and long-run estimation of the variables under the study were inconsistent with aprori expectations as it was expected that all measures of non-oil tax revenue would have positive impact on GDP.

The coefficient of PITR which gave (- 1.684563) in short-run and (-0.892394) in long-run-run, implied that for every 1% increase or decrease in PITR, will on average cause (168.46%) and (89.24%) decrease in GDP. This showed that the more the country volatility in form of PITR, the more likelihood it will impact on GDP negatively. PITR passed the test of statistical significance on both in short-run and long-run.

The coefficient of CITR revealed that a unit increase in CITR will increase GDP by 645.5636 (465 %) in the short-run and 341.9861 (342%) in long-run. This revealed that CITR has strong effect and has the likelihood to positively impact on GDP in Nigeria. In

terms of statistically significance, CITR passed the test of statistical significance on both short and long run.

The VATR coefficient value of (0.250968) in the short-run and (0.132950) in long-run, indicated that for every 1% increase in VATR will on average lead to (25.09 %) and (13.29 %) increase or decrease in GDP, both in short and long-run VATR passed the test of statistical significance on both short and long run.

Lastly, regression result in table 4.4.2, showed that the CEDR coefficient value of (-3.840593) in the short-run and (-7.249848) in long-run, will on average cause approximately (384 %) and (724%) decrease in GDP. This implied that the more the country volatility in form of CEDR, the more likelihood it will impact on GDP negatively. In terms of statistical significant relationship, CEDR has not passed the test of statistical significance on both short and long run.

4.3 Causality Test Result

Table 6: Causality Test Result via Pairwise Granger Causality

Null Hypothesis:	Obs	F-Statistic	Prob.		Decision
1. PIT does not Granger Cause GDP	40	2.69459	0.0816	Reject H_0	Unidirectional Causality
2. RGDP does not Granger Cause PITR		0.46394	0.6326	Accept H_0	
3. CIT does not Granger Cause GDP	40	2.19345	0.1266	Reject H_0	Unidirectional Causality
4. RGDP does not Granger Cause CITR		0.34205	0.7127	Accept H_0	
5. VAT does not Granger Cause GDP	40	1.77532	0.1843	Reject H_0	Unidirectional Causality
6. RGDP does not Granger Cause VATR		0.24333	0.7853	Accept H_0	
7. CED does not Granger Cause GDP	40	3.12804	0.0563	Reject H_0	Bidirectional Causality
8. RGDP does not Granger Cause CEDR		1.33380	0.2765	Reject H_0	

Source: Researcher's Computation 2023 via E-view 12.0

In the table above, we used the granger causality test to find out the nature of causality between the tax revenue variables (PITR, CITR, VATR and CEDR) and the GDP. Using two lagged values of the variables. The

table showed us the direction of null hypothesis, suggesting that the variable in the left side does not granger causes the variable in the right side. The F-statistic is used to test the hypothesis if the F^x - value is

greater than the prob. value at 5% level of significance, so as to either we reject the null hypothesis, or vise visa.

From the computed results (F-statistics) as shown in the table above, it revealed that: The computed F-statistics value 2.69459 is greater than the P-value of 0.00816, therefore, we reject the null hypothesis and accept the alternative that Personal Income Tax Granger Causes the GDP. However, the computed F-statistics of serial number 1, 4, 6, with the value 0.46394, 0.34205 and 0.2433 were less than 0.6326, 0.7127, 0.7853, led to accept the null hypothesis that GDP does not Granger PITR, CITR and VATR. But the F-statistics value of 2.69459, 2.19345, 1.77532 were greater than their PVs of 0.0816, 0.1266, 0.1843, therefore, we rejected the null hypothesis and accept the alternative that PITR, CITR and VATR Granger Cause the GDP.

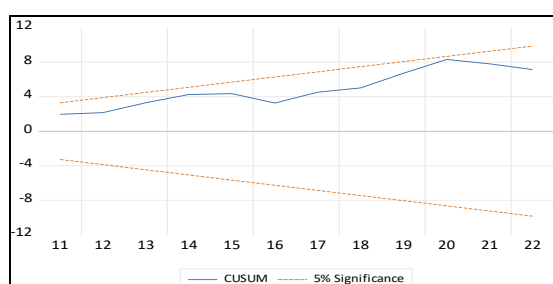


Figure 1: Cumulative Sum (CUSUM)

Source: E-view 12.0

Cumulative Sum of Square(CUSUSQ) Test Result

The cumulative sum of Square (CUSUMSQ) result revealed that the model is stable and the regression equation is correctly specified as the plots of the charts lied within, the critical bounds at 5% significance level. Since the lines are well and within the confidence bands, the conclusion is that the null hypotheses of

The implication of the foregoing results of our test is that changes in the Tax revenue variables over the period of study caused changes in the Gross Domestic Product. This corroborated the Keynesians postulation that taxation can be used to impact growth of an economy. Likewise, changes in GDP cause changes in taxation revenues.

4.4 Stability Test Results

Parameter Stability test - Cumulative Sum (CUSUM)

The result revealed that the model is stable and the regression equation is correctly specified as the plots of the charts lied within the critical bounds at 5% significance level. Since the lines are well within the confidence bands, the conclusion is that the null hypotheses of coefficients are stability are not rejected. The implication of this is that the estimated coefficients are stable over the entire sample period of investigation. coefficients are at stability and not rejected. The implication of this is that the estimated coefficients are stable over the entire sample period of investigation.

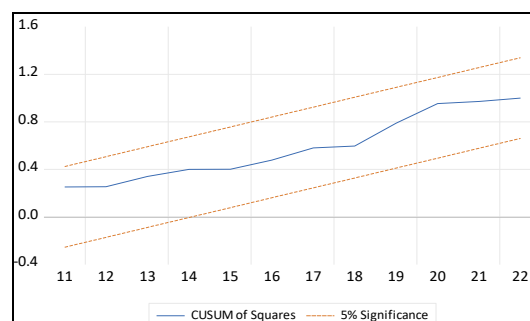


Figure 2: CUSUMSQ

Source: E-view 12.0

Ramsey Linearity Test

Table 7: Ramsey RESET Test Result

Specification: GDP GDP(-1) PITR CITR VATR CEDR C @ TREND			
	Value	df	Probability
t-statistic	2.594715	11	0.0649
F-statistic	6.732546	(1, 11)	0.0649
Likelihood ratio	18.14524	1	0.0000

F-test summary:			
	Sum of Sq.	df	Mean Squares
Test SSR	4427269.	1	4427269.
Restricted SSR	11660781	12	971731.8
Unrestricted SSR	7233513.	11	657592.1

Source: Researcher's Computation 2023 via E-view 12.0

The Ramsey Regression Specification Error Test (RESET) is captured in the table above, and output from Ramsey Reset test reports regression showed that there is no presence of model misspecification, no omitted variables in this study, meaning that the variables used in the model is best fit for the study, hence the model is well functionally specified as the

probabilities p-value (0.0649), and F-statistics (6.732546) respectively were all found to be greater than 0.05 or 5% level of significance. The R^2 is 99.95%, while Durbin Watson 1.081868 and Pro (F-statistic) is 0.00000.

Heteroskedasticity Test

Table 8: Heteroskedasticity Test Result

F-statistic	0.056977	Prob. F(1,35)	0.8127
Obs*R-squared	0.060135	Prob. Chi-Square(1)	0.8063

Source: Researcher's Computation via 2023 E-view 12

The Heteroscedasticity test result in 8 above shows that there is no Heteroscedasticity among the errors terms. Here, it could be observed that the p-value is (0.8127) and F-statistic (0.056977) are all greater than 0.05%, (using 5% level of significance). This implies that there is no presence of Heteroscedasticity in the estimated result.

Normality Test Result

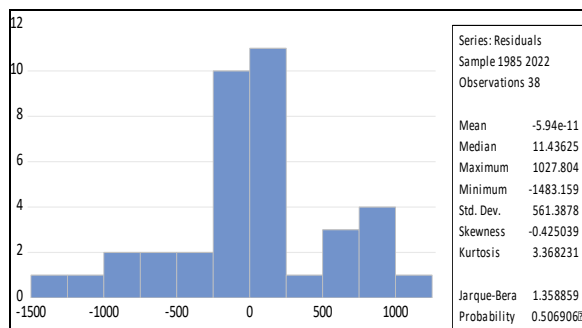


Figure: 3 Post Distribution Normality Test

Source: E-view 12.0

The Probability Value (PV) is used to determine the level of significance. If the P-value is greater than 0.05% level of significance, we accept the null hypothesis which says that the error term are normally distributed. (This means that the residual in question is

normally distributed) and we reject the alternative if the p-value is less than 0.05% level of significance.

4.5 Discussion of Findings

The result revealed that Personal Income Tax (PITR) has negative, but strong impact on GDP both on short run and long run respectively. And with the p-value of (0.0000) and (0.0004) both on short and long-run, indicates that (PITR) in terms of statistical significant relationship, has a significant enough at the moment to influence economic growth proxied by GDP in Nigeria. The result implies that GDP decreases as PITR declines conversely. Nigerian economy may be weak and statistically significant because Personal Income Tax Revenue is predominantly from the public servants, but, Nigeria has a large informal economy where a significant portion of economic activity goes unreported.

Secondly, epileptic electricity supply, high exchange rate and subsidy removal have crippled many organizations operation which have led to mass retrenchment and sack of many workers, hence, depletion of GDP, as individuals and businesses in the informal sector may not pay personal income taxes or under report their incomes. This tax evasion reduces the

potential positive impact of personal income tax on government revenue and, subsequently on GDP. This was confirmed by Arowoshegbe, Uniamikogbo, and Aigienohuwa (2017), they suggested that in order to prevent taxpayers from evading and avoiding taxes, tax policy makers and government bodies should enhance the legal and regulatory environment, and initiative for improving the tax administration system should be employed.

The finding revealed that Company Income Tax Revenue (CITR) has positive and strong impact on Economic Growth in Nigeria. The result implies that GDP increases as CITR rises conversely. While company income tax revenue has the potential to positively impact GDP, the actual impact on Nigerian economy may be strong and statistically significant because many companies in Nigeria, especially in the informal sector, were not engaged in tax evasion or avoidance, neither reducing the revenue collected from company income tax nor limiting its potential contribution to GDP. However, insecurity which has recently led to many companies relocation, wind up, and weak tax administration and corruption within tax agencies, which were reduced to the barest minimum in the past, are now causing inefficient tax collection, diminishing the actual revenue generated from company income tax. This was confirmed by Edewusi and Ajayi (2019), in their study to examine the relationship between PPT, PIT, CIT and VAT on economic growth in Nigeria.

Value Added Tax Revenue (VATR) has positive and strong impact both on short and long run on GDP in Nigeria, and is also statistically significant at the moment to influence GDP, this is due to various reasons such as high VATR compliance. The broad-based nature of VATR which ensures revenue from a wide range of sources, a growing economy with increasing consumption and spending, and efficient administration of the tax system that limits leakages and corruption of revenue generated, which in turn enables the government to direct spending towards productive sectors capable of boosting economic growth. The finding regarding Value Added Tax Revenue, the result

indicates that increase in VATR has a positive impact on GDP in Nigeria. The result of the VATR has the highest magnitude among the explanatory variables evident from its coefficient (0.132950), implying that VATR has a strong influence on increasing the GDP in Nigeria. Uket, Wasiu and Etim (2020), Omojefe and Ehiedu (2017), in their study on the effect of tax revenue on economic growth in Nigeria revealed the same, and suggested that government should do everything possible to stop tax leakages caused by corruption and administrative inefficiencies on the part of the tax authorities, as well as apathy among tax payers against paying taxes.

Lastly, the estimation result of Custom and Excise Duties shows that, (CEDR) has a negative and weak impact both on short and long-run on GDP in Nigeria during the study period. The CEDR, in terms of statistical significant relationship, did not pass the test of statistical significance at both short and long-run. The CEDR with the p-value of (0.6219) and (0.6265) in short and long-run respectively, has an insignificant impact on GDP in Nigeria. The negative and weak impact of customs and excise duties on GDP in Nigeria can be attributed to their being poorly equipped, poor salary and welfare, kidnapping and banditry activities on the high ways and borders and systemic corruption of not accurately accounting for the revenue collected. Effective customs and excise duties collection and policy implementation are crucial for promoting sustained economic growth in the country. Therefore, government should equip this department with sophisticated materials, upgrade their salaries and welfare for effective performance. This finding agrees with Ojong, Ogar and Oka (2016).

5. Conclusion and Recommendations

The study investigated the impact of non-oil tax revenue on economic growth in Nigeria during the 1981- 2022. Generally, we observed that the explanatory variables had positive impact both at short-run and long-run on Nigeria's economic growth within the period under review.

The coefficient of Pitr was discovered to be (-1.684563) in short-run and (-0.892394) in long-run. The coefficient of Citr revealed that a unit increase in Citr will increase GDP by 645.5636 (465 %) in the short-run and 341.9861 (342%) in long-run. The Vatr coefficient value of (0.250968) in the short-run and (0.132950) in long-run, indicated that for every 1% increase in Vatr will on average lead to (25.09 %) and (13.29 %) increase or decrease in GDP, both in short and long-run. Lastly, CEDR coefficient showed the value of (-3.840593) in the short-run and (-7.249848) in long-run, will on average cause approximately (384 %) and (724%) decrease in GDP.

Among other recommendations of this study for Pitr, Citr, Vatr and CEDR are:

Engaging the tax payers in their environmental, by launching a nationwide tax drive by going out into the field to meet the tax payers in their own locations or places of business to get them to register and file appropriate returns; and sensitisation on the importance of E-tax payment accounting digit platform according to Joint tax Force Board (JTB) to be properly made

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- Accelerating registration, FIRS should collaborate with financial institutions to increase data accessibility; this will assist the government to blocking all loopholes in our tax laws as well as bringing more prospective tax payers into the tax net.
- Strict implementation of tax laws by carrying out a review of tax laws to ensure that all provisions of the tax laws are fully understood especially to the Personal and Company tax payers, and enhancement of audit and investigation, in order to avoid double taxation.
- Finally, Government should take the issue of insecurity in country very serious; hence it has adverse effect on the non-oil tax revenue, on the economic growth in Nigeria. Terrorism, banditry, kidnapping and the activities of herdsmen hinder non-oil sector activities such as agriculture, manufacturing solid mineral, transportation etc, where the taxed revenue is coming from.
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