

GOVERNMENT REVENUE AND GROWTH OF NIGERIAN ECONOMY

ANDABAI, PRIYEWERIGBELEGHA (PhD)

Department of Banking and Finance.
Niger Delta University, Bayelsa State, Nigeria.

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DIEAH JEROME JOEL

Department of Banking and Finance
.Niger Delta University, Bayelsa State, Nigeria.

ABSTRACT

This research looked at how government income affected Nigeria's economic development from 1993 to 2022. The CBN annual statistics bulletin provided secondary data for this investigation. Gross domestic product was used to represent Nigeria's economic growth, while oil, non-oil, and debt revenue were used to represent government income. The study utilised the ordinary least squares approach to assess the hypotheses and utilised the ex post facto research strategy. According to the report, Nigeria's GDP is positively and significantly impacted by oil money. Nigeria's gross domestic product benefits greatly from non-oil earnings. The Nigerian gross domestic product benefits greatly from debt revenue. According to the coefficient of determination findings, government revenue factors accounted for 76% of the increase in the economy. The research comes to the conclusion that government income significantly influences the expansion of the Nigerian economy. According to the report, government income from debt sources should be carefully considered and pursued only when required. In order for the money to contribute to the expansion of the economy, it must first be made sure that it is used for the intended purpose. Since income from other sectors is thought to play a substantial function in the expansion of the economy, the government should put in place a mechanism aimed at diversifying its revenue production away from the oil industry. To promote economic development, policymakers must devise measures that will oversee the whole process of government income collection.

Keywords: Government, Revenue, Growth, Nigeria, Economy

INTRODUCTION

The current governmental system needs a substantial inflow of funding to fulfil its many responsibilities, claim Joseph and Omodero (2020). If there were not enough money, a legislature would do nothing, which would hinder development and lower the standard of living for the majority of people. Governments must generate a variety of income sources in order to strengthen their fiscal base and make it easier for them to pay their debts. Nigeria has a wide range of revenue streams, with the most profitable ones being crude oil production, unprocessed petroleum, foreign acquisitions, and money from international

guidance. As explained in the Nigerian National Budget for 2018, the main sources of income fall into three categories: unprocessed hydrocarbon reserves, unprocessed non-hydrocarbon reservoirs, and foreign debt acquisition.

Obtaining government income is critical to society because it provides the funds necessary to foster and accelerate economic growth and development (Biruk et al., 2016). Governments everywhere strive to create a conducive environment that attracts both foreign and local investment. Getting self-sufficient in finance and income creation is one of the main tactics that makes it easier to realise these goals and guarantees that the demands of the economy are satisfied domestically. This is a very important strategy for dealing with and controlling inflationary tendencies. This is important for Rem. For a considerable amount of time, the profound effect that an increase in government revenue has on economic growth has been a topic of great importance to knowledgeable tax experts, economists, and administrators alike. It has also captured the attention of academic scholars for a considerable amount of time.

According to Azubuike and Ojiugo (2019), government income is the money that a governing body receives, and it is critical to carrying out the government's fiscal strategy. Various sources of income for the government include taxes on wages and wealth accumulation by individuals and businesses, as well as taxes on the production of goods and on imports and exports. Furthermore, the central bank's earnings, state-owned company profits, and capital receipts in the form of debt and loans from overseas financial institutions are non-taxable sources that support the government's total income stream. Governments spend their money wisely in order to support the nation's overall growth, which includes important projects like home building, infrastructure upkeep, and school renovation, among others. The government's acquisition of fiscal resources provides the necessary funding for the delivery of fundamental public services to the populace. All governments depend on a variety of sources to survive and function well in providing necessary services to their citizens. It is common practice in the field of fiscal governance to divide the government's income into two classes: oil revenue and non-oil revenue.

Statement of the Problem

The effective use of resources has a major impact on how quickly an economy expands. To accomplish its stated goals, the economy's many sectors produce substantial money, which drives the expansion. Nigeria, like other economic entities, seeks to distribute its resources in order to meet the basic social and infrastructure needs of its citizens and to promote a steady economic growth trajectory. This is known as socio-economic development.

LITERATURE REVIEW

Revenue is often described as the total amount of money that a governing body gets from outside sources, especially from organizations that are not under its jurisdiction. This computation takes into account the revenues from loan issuance, portfolio sales, private trust operations, government transfers, and any deductions for reimbursements and rectifying transactions (Ahmed, 2010). According to Trading Economics (2018), government revenues cover a wide range of monetary inflows that it receives. These come from a variety of sources, including capital gains, taxes, customs charges, income from

state-owned businesses, and foreign assistance. Government revenues are critical to a thorough evaluation of the government's financial position.

The total amount of money received by different boards, commissions, agencies, or similar organisations that are considered dependent on the relevant legislative body is referred to as government income. "Revenue" is all monies received by a government agency from all of its funds, with the exception of intra-governmental service (revolving), agency, and private trust funds, when discussing the accounting principles that these figures are based on (Chike, 2022). The methodology that calculates revenue addresses four primary issues: correcting refunds and incorrect transactions, considering scheduling, consolidating and calculating data, and incorporating government enterprise operations. Measuring things entails adjusting revenue statistics to include refunds and other transactions intended to correct errors. However, it is necessary to recognise that the laws concerning tax reimbursement differ significantly from those controlling other revenue streams (Abiola and Asiweh, 2023).

Theoretical Review

This study is based on Resource Curse Theory. It was known as the "paradox of plenty," which describes the situation in which various countries with an abundance of natural resources are unable to fully utilise their riches while their governments find it difficult to meet the needs of their citizens for welfare. It is often believed that the discovery of natural resources in a nation will result in positive developments. On the other hand, empirical data indicates that, relative to their non-resource-rich counterparts, resource-rich nations often display higher levels of conflict and authoritarianism, and lower rates of economic stability and development. Auty (1998) was the first academic to propose the idea of the resource curse, explaining the situation that countries with abundant natural resources faced when their use of those resources did not result in the expected level of economic growth. Compared to their contemporaries with fewer resources, these countries had a noticeable lack of economic progress.

RESEARCH METHODOLOGY

The Central Bank of Nigeria bulletin provided secondary data for the research. Furthermore, in order to quantify the impact of deposit money banks on the expansion of Nigeria's industrial sector, this academic study used the multiple regression model as an econometric methodology. Data were analysis using OLS approach, as it could summarise the findings in a way that was both remarkably straightforward and widely accepted worldwide.

Model Specification

In testing the impact of government revenue on the Nigerian economy, the study specifies that:

$$GDP = f(OLRV, NORV, DBRV). \quad (1)$$

Putting it in an estimation form, we have:

$$RGDP_t = \beta_0 + \beta_1 OLRV_t + \beta_2 NORV_t + \beta_3 DBRV_t + \mu \quad (2)$$

Where, β_0 = Constant Term,

$\beta_1, \beta_2, \beta_3$ = Coefficient of Independent Variables,

μ = Stochastic Error Term,
GDP= Gross Domestic Product,
OLRV =Oil Revenue,
ORV = Non-Oil Revenue,
DBRV = Debt Revenue

DATA PRESENTATION AND ANALYSIS

Table 1: Summary Descriptive Results

	OLRV	NORV	TDRV	RGDP
Mean	2487.904	1127.981	5177.036	35755.92
Median	1411.264	407.6496	2726.045	24477.91
Maximum	8878.970	4725.600	28729.51	74694.00
Minimum	7.253000	2.984100	13.52000	13779.26
Std. Dev.	2712.810	1446.423	6944.986	21064.40
Skewness	0.716173	1.125907	1.869334	0.633833
Kurtosis	2.204572	2.953705	5.878953	1.820481
Jarque-Bera	4.473871	8.454676	37.11002	4.997074
Probability	0.106785	0.014591	0.000000	0.082205
Sum	99516.15	45119.25	207081.4	1430237.
Sum Sq. Dev.	2.87E+08	81593427	1.88E+09	1.73E+10
Observations	30	30	30	30

Source: Author’s Computation.

Table 1 shows the average values of OLRV, NORV, DBRV, and RGDP, which are 2487.904, 1127.981, 5177.036, and 35755.92, respectively. According to the statistics, non-oil income had the lowest standard deviation (1446.423) and the biggest standard deviation (21064.40) for the real gross domestic product. According to the skewness statistics, which quantify the degree of asymmetry or deviation from symmetry, every variable had a positive skew. The kurtosis metre is a measure of how concentrated a given distribution is. The loan income distribution is very concentrated and referred to as leptokurtic because its values exceed three (>3). However, oil revenue, non-oil income, and real GDP exhibit distributions with a much lower degree of concentration—aptnly dubbed platykurtic—when their values decline.

Unit Root Test

ADF Unit Root was used to check for stationarity in the variables. According to Table 2's results, e integration at the first difference, or 1(1), and is statistically significant at the 5% or 1% level.

Table 2: Unit Root Tests Analysis

Variables	ADF test Statistics	Mackinnon critical @ 5%	No of the time difference	Remark
RGDP	6.3622642	-4.846543	I(1)	Stationary
OLRV	-3.1434684	-5.957697	I(1)	Stationary
NORV	-4.8576904	-4.755344	I(1)	Stationary
TDRV	5.2343453	2.869763	I(1)	Stationary

Test for Co-Integration

After confirming stationarity at the first difference for each variable, the next step involves applying the Johansen co-integration procedure to determine if real GDP, oil revenue, non-oil revenue, and total debt revenue are co-integrated in a comparable order. The conclusions drawn from the analysis are carefully presented in Table 3.

Table4. 3: Multivariate Johansen’s Co-Integration Test Result.

Null hypotheses	Alternative hypotheses	Eigen value	Likelihood ratio	Critical vales 5%	Critical value 1%	Hypothesized No. of CE(s)
r=0	r=1	0.686377	56.367356	58.36	44.08	None **
rd≤1	r=2	0.639253	43.759783	44.29	38.53	At most 1
rd≤2	r=3	0.584269	36.285387	36.43	29.13	At most 2
rd≤3	r=4	0.486970	24.537603	24.35	21.87	At most 3

Data Analysis

This section displays the results of the regression analysis, or ordinary least squares, for the independent, dependent, and control variables. The following is a presentation of the results:

Table 4: Regression Result

Dependent Variable: GDP

Method: Least Squares

Date: 10/02/24 Time: 12:22

Sample: 1993 2022

Included observations: 30

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	18295.02	999.3496	18.30693	0.0000
OLRV	1.930117	0.493087	3.914357	0.0004
NORV	12.15163	1.986550	6.116952	0.0002
DBRV	-0.202404	0.322801	0.627025	0.0046
R-squared	0.762314	Mean dependent var		35755.92
Adjusted R-squared	0.723484	S.D. dependent var		21064.40
S.E. of regression	4409.273	Akaike info criterion		19.71545
Sum squared resid	7.00E+08	Schwarz criterion		19.88433
Log likelihood	-390.3089	Hannan-Quinn criter.		19.77651
F-statistic	8.536452	Durbin-Watson stat		1.854542
Prob(F-statistic)	0.000000			

Source: Researcher’s Computation, 10.1

With coefficients of 1.930117 and 12.15163, respectively, Table 4’s regression analysis reveals that there is a positive interplay among real GDP and both oil and non-oil income. Also, with a coefficient of -0.202404, loan revenue and real gross domestic product, however, have a negative association.

Testing Hypotheses:

The results showed a significant result, whereas the output indicated significance at the 5% alpha. If the p-value is less than 0.05, adopt the alternative hypothesis. If not, reject it.

H01:The money from oil production has no appreciable impact on Nigeria's GDP. The t-stat of 3.914357 and p-value of 0.0000 < 0.05 level of significance for oil-produced income are evident from the table. Thus, we might contend that there is a substantial and positive interplay among the independent and dependent variables.

It is clear from the results that the alternative hypothesis is accepted and the null hypothesis rejected. This suggests that, in the context of Nigeria, the income from oil has a significant influence on the GDP.

H02:Revenue from sources other than oil has no appreciable impact on Nigeria's GDP. The table indicates that money earned other than oil has a probability value of 0.0004 < 0.05 level of importance and a t-stat value of 6.116952. Therefore, the research significantly and favourably affects the dependent variables.

Given the results, the null hypothesis is rejected indicating that income from sources other than oil has a substantial outcome on the GDP in the Nigerian setting.

H03:The Nigerian GDP is largely unaffected by total debt revenue. The table indicates that the total income from debt has a probability value of 0.5346 < 0.05 level of importance and

a t-stat value of -0.627025. Therefore, we might contend that there is a negligible and negative interplay among the independent and dependent variables.

In light of the results, the null hypothesis is accepted, indicating that the total amount of debt income has no appreciable effect on GDP in the Nigerian setting.

CONCLUSION AND RECOMMENDATION

This research study aims to explore the outcome of government income on the growth of the Nigerian economy in order to provide a basis for its empirical analysis. The study's findings have clarified the significance of the many elements affecting government income. Thus far, there has been confirmation that the Nigerian economy has greatly benefited from government income sources. Accordingly, it maintains that government revenues are crucial indicators and instruments that may increase economic development and productivity. In summary, the available empirical data indicates that government revenues throughout the study period had a notable influence on the expansion of the Nigerian economy. This research suggests, among other things, that the government should proceed cautiously and only use debt as a source of income when it is absolutely required. Using the money for its intended purpose is critical to ensuring its contribution to the economy's expansion. The government should establish a mechanism to diversify its revenue production away from the oil industry, as income from other sectors is believed to significantly contribute to economic expansion. To promote economic development, policymakers must devise measures that will oversee the whole process of government income collection.

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**Appendix I:
Government Revenue and Economic Growth in Nigeria (1993-2022)**

YEAR	Oil Revenue (N,Bill)	Non-Oil Revenue (N,Bill)	Debt Revenue (N,Bill)	Gross Domestic Product (N,Bill)
1993	162.10	30.67	906.98	19,927.99
1994	160.19	41.72	1056.4	19,979.12
1995	324.55	135.44	1,194.60	20,353.20
1996	408.78	114.81	1,037.30	21,177.92
1997	416.81	166.00	1,097.68	21,789.10
1998	324.31	139.30	1,193.85	22,332.87
1999	724.42	224.77	3,372.18	22,449.41
2000	1,591.68	314.48	3,995.64	23,688.28
2001	1,707.56	903.46	4,193.27	25,267.54
2002	1,230.85	500.99	5,098.89	28,957.71
2003	2,074.28	500.82	5,808.01	31,709.45
2004	3,354.80	565.70	6,260.59	35,020.55
2005	4,762.40	785.10	4,220.98	37,474.95
2006	5,287.57	677.54	2,204.72	39,995.50
2007	4,462.91	1,264.60	2,608.53	42,922.41
2008	6,530.60	1,336.00	2,843.56	46,012.52
2009	3,191.94	1,652.65	3,818.47	49,856.10
2010	5,396.09	1,907.58	5,241.66	54,612.26
2011	8,878.97	2,237.88	6,519.69	57,511.04
2012	8,025.97	2,628.78	7,564.44	59,929.89
2013	6,809.23	2,950.56	8,506.31	63,218.72
2014	6,793.82	3,275.03	9,535.53	67,152.79
2015	3,830.10	3,082.41	10,948.51	69,923.93
2016	2,693.90	2,922.50	14,537.11	67,931.24
2017	4,109.80	3,335.20	18,377.00	68,490.98
2018	5,545.80	4,006.00	20,533.60	74,694.00
2019	5,536.7	4,725.6	23,295.06	72,094.08
2020	4,732.5	4,570.7	28,729.51	70,800.54
2021	4,109.80	3,335.20	18,377.00	68,490.98
2022	5,545.80	4,006.00	20,533.60	74,694.00

Source: Central Bank Statistical Bulletin, 2022