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## EFFECT OF OIL AND NON-OIL REVENUE ON ECONOMIC GROWTH OF NIGERIA

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### ABSTRACT

The study was carried to ascertain the effect of oil and non-oil revenue of the government on economic growth of Nigeria. The scope of the research covers a period of thirty-five years running from 1981 to 2015. The researcher made use of multiple linear regression models. Secondary data on oil and non-oil revenue of the government for the period were collected from CBN statistical bulletin. Economic growth which is the dependent variable was represented by gross domestic product (GDP). The researcher applied the augmented Dickey-Fuller unit root test, co-integration test and error correction model in analysis of data. From the findings, oil and non-oil revenue exerted a positive and significant effect on gross domestic product. On this premise, the study recommended that more can be done to increase revenue generation through non-oil producing sectors of the economy by making available enabling environment and incentives that can facilitate economy diversification. Also, the researcher further suggested vesting the right for oil production solely in Nigeria owned companies like the NNPC other than sharing such with expatriate firms.

### INTRODUCTION

The growth and development of any nation requires funds for providing infrastructure and defraying administration costs. This need for finance may well be considered one of the reasons government shows concern for a medium through which funds are generated to achieve the set goals for the society (Fagbemu & Noah, 2010). This fund which is money or otherwise revenue is needed by government to be able to execute its social obligations to the public which involves providing infrastructure and social services. Revenue is "any form of income" (Oxford Dictionary of Accounting, 2005). The desire of government to meet with the demands of the society calls for huge financial resources which individual contributions will not suffice (Murkur, 2001). Revenue can be generated by the government through various means or sectors. As at 2009, oil sector share of Nigeria revenue was 78.8% while non-oil sector accounted for just 21.2% (CBN, 2010). However, it needs to be stated

that before the discovery of oil in large quantity in 1956, agriculture was the base of the Nigeria economy. The recorded success of agricultural sector in the pre-oil boom era has been relegated following the emergence of oil as the presumed prime mover of the nation's economy. However, this could be a false idea of growth. Given that agriculture and other non-oil economic activities of the private sector also impacted on gross domestic product and the sustenance of the economy in the pre-oil era, it could as well be that at present, the judgement in favour of government oil-dominated revenue against revenue variables of the private sector is spurious and need to be re-examined.

### **Statement of the Problem**

A lot of claims have been made that government revenue pre-dominantly derived from oil forms bulk of Nigeria's earnings. Researchers have done many empirical works which majorly deal with either the oil or non-oil sectors or a particular revenue element. It was also observed that their studies were often based on a short time frame period or scope. However, some recent yearly reports are of the opinion that government revenue especially from the oil sector in Nigeria is declining following vandalism of oil facilities in the oil producing zones and other illegal petroleum operations in the country. Moreover, the non-oil sector of the government which should also be an important player in moving the economy seems to be somewhat neglected with low output as a result of concentration on the petroleum sector. If both sectors are dwindling as being recently reported, there is therefore the need to re-examine the effect of oil and non-oil revenue of the government taken together over a long time frame on economic growth of Nigeria. It is pertinent to inquire whether the judgement and so much emphasis in favour of the effect of government revenue on the economy have been fair up to date and over a long time frame. It could be that government revenue derived from oil only serves as a supplement to the contributions of other economic activities. Ascertaining the effect oil and non-oil revenue of the government actually have on Nigeria's economic growth is the basic problem the researcher aims at resolving by conducting an empirical study.



## Objectives of the Study

The general objective of the study is to make an assessment of the effect of oil and non-oil revenue on economic growth in Nigerian. The specific objectives are to:

- i. Determine the effect of oil revenue on gross domestic product (GDP) of Nigeria.
- ii. Ascertain the effect of non-oil revenue on GDP of Nigeria.

## Research Hypotheses

The null research hypotheses were formulated and stated as follows:

- i. Oil revenue has no significant effect on gross domestic product of Nigeria.
- ii. There is no significant effect of non-oil revenue on gross domestic product.

## Scope of the Study

The scope of the work covers only federally collected oil and non-oil revenue of the government and the growth of the economy measured by the gross domestic product. Earnings of the states, local governments and private sector are not included. The time range of study is the period of reasonable oil revenue generation taken from 1981 to 2015 (35-year time series data). Data required and analysed are those relating to the variables and the period as stated above.

## Conceptual Framework

### Meaning of Oil and Oil Revenue

Oil is petroleum, organic in origin which occurs in pore spaces of sedimentary rocks. It is derived from the decomposition of marine vegetative matter. It is a thick, flammable, yellow-to-black mixture of gaseous, liquid and solid hydrocarbons that occurs naturally beneath the earth's surface. It can be separated into fractions including natural gas, diesel, kerosene, fuel, lubricating oils, paraffin wax etc. It is a very versatile, flexible, non-productive, depleting, natural resource and a vital input to modern world economic activities giving about 50% of the total energy demand. Petroleum can be used as source of power and for their purposes ([www.thefreedictionary.com/crude+petroleum/](http://www.thefreedictionary.com/crude+petroleum/))

According to Ani, Eze, Ude and Igbeka (2012), petroleum or oil is a formation from ancient land and sea plants and animals that were deposited millions of years ago in low-lying areas, normally on the ocean bed. It is composed mainly of complex combinations of hydrogen and carbon, along with organic compound containing sulphur, nitrogen and oxygen in varying amounts. Oil in Nigeria usually occurs at depths below 1500 meters. The chief source of hydrocarbon is crude oil or petroleum which means rock oil in Latin. It occurs as a dark, sticky, viscous liquid. It is found in underground deposits in many parts of the world together with natural gas. Oil and natural gas are formed from the remains of dead marine organisms. First oil discovery was at Oloibiri in 1956 and first commercial export was made in 1958 (Ani et al, 2012; Okonkwo, 2004).

Revenue is defined as all amounts of money received by a government from external sources (Ahmed, 2010). It is "any form of income" (Oxford Dictionary of Accounting, 2005). Two main sources of federal government revenue exist namely; oil and non-oil revenue. Oil revenue is an important source of revenue to the federation account. Notably, oil revenue are revenue from crude oil and gas exports, receipts from petroleum profits tax as well as royalties and revenue from domestic crude oil sales (Ihendinihu, Ebieri & Ibanichuka, 2014). It may as well include penalties on companies engaged in petroleum operations. To run the the Nigeria petroleum sector, General Yakubu Gowon established the Nigeria National Oil Corporation (NNOC) by Decree 20 in 1971. In the same year, Nigeria joined the Organisation of Petroleum Exporting Countries (OPEC) as the 11th member nation. The NNOC was given the responsibility for both upstream and downstream activities in the oil industry. However, the regulatory functions were vested in the Ministry of Petroleum Resources. In April 1977, a merger between the NNOC and the Ministry of Petroleum Resources gave birth to the Nigeria National Petroleum Corporation (NNPC). The then NNPC combined performance of the commercial functions of NNOC with the responsibilities of the Ministry of Petroleum Resources.



## Meaning and Constituents of Non-oil Revenue

Non-oil revenue is revenue of the government derived from economic activities other than petroleum. This includes revenue that are not derived from or associated with oil (Ihendinihu, Ebieri & Ibanichuka, 2014). All revenue types not covered by oil resources are grouped as non-oil revenue. Basically, they include some major taxes like personal income tax, company income tax, customs and excise duties, value added tax, education tax, grants, licences, loans and income from other economic activities like agriculture, banking and insurance, power generation, telecommunication services, transport, tourism, mining and sale of other natural resources like copper, tin gold, lime stones among others (Oladeji, 2015). This background gives it a contrary view to the assumption that the non-oil sector only refers to agriculture and mineral activities which makes the assessment of the sector narrow (Dauda, Asiribo, Akinbode, Saka & Salihu, 2009). However, agriculture is a major contributor to the nation's economy (Agbaeze, Udeh & Onwuka, 2015).

## Economic Growth

Economic growth can be defined as long term expansion of the production capacity of an economy over a period of time. It is measured by gross domestic product and other macroeconomic variables. Gross domestic product (GDP) is the total value of goods and services produced within the country in a particular period usually a year (Onyekpandu, 2013).

## Empirical Literature

Ogbonna and Appah (2012) on their research on petroleum income and Nigerian economy: empirical evidence, investigated the effects of petroleum income on the Nigerian economy for the period 2000 to 2009 using the gross domestic product (GDP), per capita income (PCI) and inflation (INF) as the dependent variables, and oil revenue, petroleum profit tax/royalties and licensing fees as the explanatory variables. The results showed that oil revenue had a positive and significant relationship with GDP and PCI, but a positive and insignificant relationship with inflation. PPT/Royalties have a positive and significant relationship with GDP and PCI but a negative and insignificant relationship with inflation. In the study by Ayuba (2014) on impact of non-oil tax revenue on economic growth; the Nigerian perspective,

the findings show that there exists a positive impact of non-oil tax revenue on economic growth in Nigeria. It was recommended that efforts are increased towards the collection of more non-oil tax revenue especially from the informal sector by equipping tax authorities especially FIRS with skilled manpower. On growth of non-oil sectors, a key to diversification and economic performance in Nigeria by Riti, Gubak and Madina (2016), to achieve their objectives, the researchers employed tool of Auto-regression distributed lag (ARDL) and vector error correction model (VECM), Granger causality model to estimate the short run and long run parameters as well as the direction of the causation of the variables. It was found that agricultural component, manufacturing component and telecommunication among others cause economic growth at 5 percent significance level. They recommended functioning systems of governance and economy diversification.

Oladeji (2015) in financial crisis and the politics of non-oil revenue drive in Nigeria examined the prospects of non-oil revenue drive in Nigeria using mainly secondary data. The paper studied not just the extent of contemporary fiscal crisis and its effect on economic development in Nigeria but also reviewed government policy response to the crisis. The paper concluded that the contributions of non-oil sector to economic growth have been tremendous but such growth has not reduced poverty or created jobs. On evidence of petroleum resources on Nigerian economic development by Abdullahi, Madu and Abdullahi (2015), the study examined the impact of petroleum on Nigerian economy. It made use of secondary data from CBN Statistical Bulletin and National Bureau of Statistics. The tool of analysis used was simple linear regression. The findings showed that petroleum has significant and positive impact on Nigeria economy. Odularu (2008) analyzed the relationship between the crude oil sector and Nigerian economic performance. Data were taken from CBN Statistical Bulletin. Using the ordinary least square regression method, the study showed that crude oil consumption and export have contributed to the improvement of the Nigerian economy. One basic recommendation was that the government should implement policies that would encourage the private sector to participate actively in the crude oil sector of the economy.



The work non-oil exports in the economic growth of Nigeria, a study of agricultural and mineral resources by Adesoji and Sotubo (2013) evaluated the performance of Nigeria's export promotion strategies as to whether they have been effective in diversifying the productive base of the Nigerian economy from crude oil as the major source of foreign exchange. Findings revealed that non-oil exports have performed below expectations giving a reason to doubt the effectiveness of the export promotion strategies adopted in the Nigerian economy. The researchers recommended for diversification to be achieved and for enhancing the productivity and output of non-oil commodities as well as providing markets for the commodities. In the work of Aregbeyen and Kolawole (2015), the study examined whether oil revenue has impacted on public spending as well as on economic growth. Time series data were analyzed using econometrics techniques of ordinary least square, co-integration, vector error correction model (VECM) etc. Findings from the analysis showed that oil revenue caused both of total government spending and growth while there was no causality between government spending and growth in the country. Okwori and Sule (2016) appraised revenue sources in Nigeria; oil revenue, non-oil revenue and public debt with respect to their effects on economic growth in Nigeria. The Co-integration test and Granger causality test were conducted to assess the long-run relationship between the revenue sources and to examine direction of relationship between revenue sources and economic growth in the country. The result and findings showed that increase in oil revenue by one percent increases GDP by 0.21 percent. Same goes for non-oil revenue which increases GDP by 0.25 percent.

In Afolabi (2011), the researcher examined the impact of oil export on economic growth in Nigeria from 1970 to 2006. The econometric technique adopted was the ordinary least square (OLS) in a form of multiple regression. Secondary data sourced from CBN statistical Bulletins were used. It was found that there was positive relationship between domestic consumption capital export of crude and RGDP and negative relationship between labour, total production and RGDP. It was recommended that NNPC should diversify its exports through downstream production of refined products. There should also be private sector participation. The study on impact of tax reforms and economic growth of Nigerian: time series analysis by Ogbonna and Appah

(2012) was carried from 1994 to 2009. Secondary data were used and descriptive and econometric models such as White test, Ramsey RESET test, Breusch Godfrey test, Jacque Berra test, Augmented Dickey Fuller test among others were applied. The results indicate that tax reforms are positively and significantly related to economic growth. Ihenyen and Mieseigha (2014) researched on taxation as an instrument of economic growth (the Nigerian perspective). The paper on taxation as an instrument of economic growth in Nigeria made use of annual time series data from CBN Statistical Bulletin for the period 1980 to 2013. The ordinary least square technique was adopted. The result shows that relationships exist between the various taxes and economic growth in Nigeria. Olajide, Akinlabi and Tijani (2012) made contributions on agricultural resource and economic growth in Nigerian. The research was an analysis of agricultural resource and economic growth in Nigeria. Regression model was use in data analysis. The result indicates a cause and effect relationship between gross domestic product and agricultural resources or output which causes about 34.4 percent variation in GDP between the period 1970 and 2010. In the research on value added tax and economic growth in Nigeria by Onwuchekwa and Aruwa (2014), the study investigated the impact of value added tax one economic growth of Nigeria. It used ordinary least square technique for data analysis and test of hypotheses. The result shows that value added tax contributes significantly to total tax revenue of government and on economic growth in Nigeria. To improve on revenue collected through VAT, it did not recommend increase in the rate of 5% but prevention and blocking of every VAT revenue leakage in the system. Nwachukwu (2014) examined the impact of non-oil exports on economic growth in Nigeria from 1970 to 2014. The researcher made use of regression econometric model for analysis supported with the t-statistic which are all significant. It was recommended that the government should enforce non-oil export promotion. Nwanne (2014) worked on assessing the relationship between diversification of non-oil export product and economic growth in Nigeria. The study was carried on the relationship between diversification of non-oil export products and economic growth in Nigerian from 1981 to 2014. In achieving the objectives, the researcher employed the OLS methods involving error correction model, co-integration etc. the Johansen Co-integration test reveals that the variables are co-integrated which implies that there is long-





run equilibrium relationship between the variables. Therefore there is significant relationship between diversification of non-oil export and economic growth in Nigeria during the period. In his work, Akinlo (2012) on how important is oil in Nigeria's economic growth, assessed the importance of oil in the development of the Nigerian economy in multivariate VAR model over the period 1960 to 2009. Empirical evidence shows that the five subsectors are co-integrated and that oil can cause other non-oil sectors to grow. It was however observed that oil has unfavourable effect on the manufacturing sector. The researcher also employed the Granger causality test. The paper made recommendation on appropriate regulation and pricing reforms in the oil sector to reverse its negative impact on manufacturing.

The paper by Izedonmi and Okunbor (2014) on the roles of value added tax in the economic growth of Nigeria empirically examined the contribution of VAT to the development of the Nigerian economy. Time series data on GDP, VAT and total tax revenue as well as total federal government revenue were used. Simple regression and descriptive statistical methods were used. Findings showed that VAT revenue and total revenue accounts for 92% significant variations in GDP. In a related research by Adegbeie and Fakile (2011) bordering on petroleum profit tax and Nigeria economic development, the paper has the objective of assessing the relationship between petroleum profit tax and economic development of Nigeria. Primary and secondary data were used and Chi-square and multiple regression models were employed in analyses of data. Findings showed there was a strong relationship between PPT and economic development of Nigeria. A study by Hassan (2015) on impact of non-oil sectors on economic growth in Nigeria made an inquiry into the impact of non-oil sectors of the Nigerian economy on economic growth. Secondary data from CBN and NBS for the period 1991 to 2013 were used. The ordinary least square technique was applied. The study found that none of the selected sectors have impacted positively on economic growth in Nigeria except the agricultural sector which was positive and significant. The work recommended an all-sector inclusive economic policy that guarantees all-round development of every sector other than that of oil alone. Ani, Ugwunta, Inyama and Eneje (2014) on oil price volatility and economic development; stylized evidence in Nigeria investigated the causal relationship between oil

prices and key variables in Nigeria using multivariate time series data from 1980 to 2010. The variables include inflation, interest rate, exchange rate and real GDP. The research adopted the Granger causality and ordinary least squares. The findings showed that in the short-run, changes in GDP were not influenced by oil price volatility which did not also influence the macroeconomic variables. The result also showed a positive but not significant relationship between oil price and Nigeria's GDP.

The author, Ijirshar (2015) on the paper the empirical analysis of oil revenue and industrial growth in Nigeria examined the impact oil revenue on industrial growth in Nigeria. Secondary data from OPEC Bulletin, CBN and NBS were used. The researcher employed ADF test, Johansen co-integration test, vector error correction model. The results showed that 87.17% of changes in industrial growth were explained by the movement in the independent variables. It was recommended that sustainable policy formulation and implementation should be adopted. Oil revenue should be judiciously used. Adeyemi (2007) in his contribution on the research work on Nigerian petroleum industry at crossroads, the researcher used the multiple regression analysis and modelled the nation's GDP as a function of revenue from oil and non-oil sectors. Results showed that oil revenue and non-oil revenue have significant impact on the nation's GDP for the period 1980 to 2000 with oil revenue being more highly significant than non-oil revenue. The work of Salami, Apelogun, Omidia and Ojoye (2015) on taxation and Nigerian economic growth empirically investigated the impacts of taxation on the growth of the economy. The chosen economic growth indicator, real GDP is specified to depend on the taxation indicators which are the petroleum profit tax (PPT), CIT, customs and excise duties (CED), VAT. Both simple and multiple linear regression analysis of the ordinary least square method were employed. It was discovered that if all the exogenous variables were tested individually on the economic growth, they showed significant impact individually on growth. The paper recommended that the fiscal laws should be strengthened so as to check tax offenders and improve tax administrative machinery. On the impact of company income tax and value added tax on economic growth; evidence from Nigeria by Etale and Bingilar (2016), secondary time series panel data were collected for the period 2005 to 2014. The



study employed the ordinary least squares technique. The results showed that both CIT and VAT had significant positive impacts on economic growth. Umoru and Anyiwe (2013), on tax structures and economic growth in Nigeria: disaggregated empirical evidence in line with the objectives, employed co-integration and error correction methods in their analysis of data. The empirical results indicated that direct taxes significantly and positively correlated with economic growth whereas indirect taxes proved insignificant and negatively impacted on gross domestic product in Nigeria. Tax based revenue is skewed towards direct taxes in Nigeria. It was recommended that rather than expand indirect taxes, the direct taxes should be made broad in structure.

## METHODOLOGY

The study adopted an *ex-post facto* research design to achieve the objectives. The required data were sourced from appropriate government agencies which are Central Bank of Nigeria's statistical bulletin and National Bureau of Statistics.

### Model Specification

The research adopted the ordinary least squares method of multiple linear regressions as well as correlation for analysis of data and test of hypotheses. The model is of the form:

$$GDP = \beta_0 + \beta_1 Oilrev + \beta_2 Noilrev + e_{it}$$

Where;

GDP = Gross Domestic Product of Nigeria

OILREV = Oil revenue of Nigeria

NOILREV = Non-Oil revenue of Nigeria

$\beta_0$  = Intercept of regression line

$\beta_1$  = Parameter/Coefficient of oil revenue

$\beta_2$  = Parameter/Coefficient of non-oil revenue

$e_{it}$  = Stochastic term or Error term

### Method of Data Analysis

The specified models will be subjected to a stationarity test using the

Augmented Dickey-Fuller unit root test. The unit root test is necessary because most economic services wander about and cannot revert to a particular mean in their static or raw form. The test is undertaken for two cogent reasons. First is to avoid the problem of spurious regression. Second, a basic assumption underlying the application of causality test is that the time series in question should be stationary. Stationary series will constantly return to a given value and no matter the starting point, in the long run, it is expected to attain that value (Dickey & Fuller, 1981; Hall, 1994). A non-stationary series could be made stationary by differencing once or twice. This is called an integrated series. It could be integrated of order 1 represented by  $I(1)$ . The stationary linear combination of the variables under consideration is called co-integration equation (Engle and Granger, 1987).

### **Johansen's Test for Co-integration**

The basic argument of Johansen's procedure is that the rank of matrix of variables can be used to determine whether or not the variables are co-integrated. One of the most interesting aspects of the Johansen procedure is that it allows for testing restricted forms of the co-integrating vectors.

### **Error Correction Model**

A vector error correction model (VEC) model is a restricted VAR designed for use with non-stationary series that are known to be co-integrated. The VEC has co-integrating relations built into the specification so that it restricts the long run behaviour of the endogenous variables to converge to their co-integrating relationships while allowing short run adjustments dynamics. The co-integration term is known as the error correction term since the deviation from long term equilibrium is corrected gradually through a series of partial short run adjustments.



## DATA PRESENTATION AND ANALYSIS

(See appendix I).

**Table 4.1: Stationarity Test Result**

Variable	Max lag	ADF Test Statistics	Order of Integration	Critical Level 1%	Critical Level 5%	Remarks
GDP	1	-3.999097	I(1)	-3.646342	-2.954021	Stationary
OILREV	1	-6.062917	I(1)	-3.646342	-2.954021	Stationary
NOILRE	1	-5.556646	I(1)	-3.646342	-2.954021	Stationary

Source: E-Views computation.

The result in table 4.1 shows that the variable gross domestic product (GDP) is stationary at first difference i.e. order I(1). Oil revenue (OILREV) and non-oil revenue (NOILREV) were also stationary at 1<sup>st</sup> difference (Integration order I(1)). The summarized result presented in table 4.1 shows the critical values at various levels of significance (1% and 5%). The difference stationary process (DSP) of the statistical package E-views was used to generate the difference state of the variables. Having determined that all the variables are integrated and therefore stationary, the researcher moved on to verify whether the combination of the variables is co-integrated thereby applying the Johansen co-integration test.

### Johansen Co-integration Test

**Table 4.2: Result for the Model**

Date: 12/02/17 Time: 07:04 ]  
 Sample (adjusted): 1984 2015  
 Included observations: 32 after adjustments  
 Trend assumption: Linear deterministic trend  
 Series: GDP NOILREV  
 OILREV  
 Lags interval (in first differences): 2 to 2

Unrestricted Cointegration Rank Test (Trace)

Hypothesized	No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob. **

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None *	0.694630	44.78020	29.79707	0.0005
At most 1	0.176582	6.820793	15.49471	0.5986
At most 2	0.018682	0.603485	3.841466	0.4373

Trace test indicates 1 cointegrating eqn(s) at the 0.05 level

\* denotes rejection of the hypothesis at the 0.05 level

\*\* MacKinnon-Haug-Michelis (1999) p-values

Source: E-Views computation.

The Johansen co-integration test for the Model trace test indicates that there are 1 co-integrating equations at 5% level of significance which reveals an existence of long-run relationship between Gross Domestic Product (GDP), Oil revenue and Non-oil Revenue.

### Parsimonious Error Correction Model

Having come to a conclusion that the variables are stationary, that is being integrated of order 1(1) with a presence of long run relationship among the models. The researcher employed Error Correction Model to find or indicate the short-run relationship among the variables in our different models. In order to develop the ECM, the lagged residuals from the co-integrating regression are incorporated in OLS estimation. Therefore, our models were tested in order to arrive at a parsimonious preferred short-run dynamic specification.

**Table 4.5: Parsimonious ECM Result**

Dependent Variable: D(GDP)

Method: Least Squares

Date: 12/01/17 Time: 10:41

Sample (adjusted): 1988 2015

Included observations: 28 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(GDP(-1))	0.387985	0.246099	1.576536	0.1333
D(NOILREV(-1))	-1.917064	5.865230	-0.326852	0.7478
D(NOILREV(-3))	11.21336	4.281181	2.619221	0.0180
D(NOILREV(-5))	2.459667	4.920067	0.499925	0.6235
D(NOILREV(-6))	8.447347	6.267198	1.347867	0.1954
D(OILREV(-2))	1.142975	1.132583	1.009176	0.3270
D(OILREV(-3))	-1.228144	0.832695	-1.474904	0.1585
D(OILREV(-4))	0.158893	0.819078	0.193990	0.8485



D(OILREV(-6))	2.240792	1.034376	2.166323	0.0448
ECT(-1)	-0.464708	0.161368	-2.879806	0.0104
C	104.4427	925.9077	0.112800	0.9115
R-squared	0.771665	Mean dependent var		3355.423
Adjusted R-squared	0.637350	S.D. dependent var		5951.427
S.E. of regression	3583.977	Akaike info criterion		19.49306
Sum squared resid	2.18E+08	Schwarz criterion		20.01642
Log likelihood	-261.9028	Hannan-Quinn criter.		19.65305
F-statistic	5.745187	Durbin-Watson stat		2.126453
Prob(F-statistic)	0.000849			

Source: E-views computation.

From the above, the estimated regression shows that non-oil revenue (NOILREV) has a positive and significant effect (at 5% level) on GDP of Nigeria at lag 3 while oil revenue (OILREV) also exerted a positive and significant impact on GDP at lag 6. The null hypotheses I and II which state that oil and non-oil revenue have no significant effect on GDP are hereby rejected and the alternative hypotheses accepted. The coefficient of determination 0.771 shows a relatively good fit and means that 77% of variations in GDP is explained by our explanatory variables. The Durbin Watson statistic of 2.12 shows no presence of autocorrelation. The error correction term (ect) is rightly signed and significant showing that 46% of the short run deviations is corrected in the long-run. The F-statistics also shows that the overall regression is significant (at 5% level).

### Discussion of Results

The purpose of the study is to determine the effect of oil and non-oil revenue on the growth of Nigeria economy using selected growth indicator. The results of the data analysis and test of hypotheses showed a lot of observations. In the model, oil and non-oil revenue showed significant positive effect (at 5%) on GDP of Nigeria at different identified lags. Coefficient of multiple determination of 0.771 showed that 77% of the variation in the dependent variable was accounted for by the explanatory variables.

## SUMMARY OF FINDINGS AND CONCLUSION

The purpose of the study is to assess the effects of oil and non-oil revenue of the government on economic growth of Nigeria. The outcome brought up facts and the following conclusions were made:

- Oil and non-oil revenue of the government have significant effect on the country's economic growth.
- There is high degree of correlation between oil and non-oil revenue of the government and economic growth of Nigeria.

## RECOMMENDATIONS

Based on the findings and conclusions reached from the research, the following recommendations are made:

- (i) To improve revenue generation through non-oil operations, it is high time the government looked into the development of the sector which has wider opportunities for growth. This can be achieved through diversification to create more avenues through which the government can generate revenue to meet its financial needs.
- (ii) Foreign investors coming into Nigeria for business interests other than in the oil sector should be well encouraged and provided with a better enabling environment.
- (iii) Given the fact that oil revenue as well affects the growth of the economy, it is also necessary that the government should run an oil revenue sustainability policy. This can be achieved through establishing a lasting peace with the host communities by the oil companies through the assistance of the government. This will eliminate illegal bunkering and vandalising of oil facilities.
- (iv) The researcher recommends that oil revenue can also contribute more than it does at present through vesting the right of drilling solely on the indigenous oil producing company of the government the Nigeria National Petroleum Corporation. There should be a move towards local content. In other words, all non-indigenous oil companies would no longer be given rights for exploration and drilling operations but can only render technical services and assistance for a fee.





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