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ASSESSMENT OF REVENUE GENERATED ON NIGERIA ECONOMIC DEVELOPMENT FROM 1981-2018

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Abstract

The study interrogates the role of internally generated revenue on Nigeria economic development from 1981-2018 with emphasis on manufacturing, solid mineral revenue and value added tax measured to total revenue generation. Data utilized was obtained from NBS/CBN published data from 1981-2018 and was analysed using inferential statistics. This includes Multiple Regression Analysis, Coefficient for correlations of independent sample and analysis of variance (ANOVA) for significant impact samples. Findings amongst others reveal that *MR measured to the total revenue is* ***0.896*** *with a coefficient of 606.066 and* p-*value of 0.378 significant at 5% provides statistical evidence for rejection of first hypothesis and indicates that the MR positively affects the TREV of Nigeria over the period of the study, solid mineral revenue is 0.160 with the coefficient value of 78.613 and* p-*value of 0.874 obtained from the multiple regression results statistically significant at 5%, reveals that SR positively and significantly influences the total revenues generation in Nigeria, and the* t-*value for MR measured to the total revenue is* ***3.582*** *with a coefficient of 19.435 with the* p-*value of 0.001 significant at 5% provides statistical evidence that the selected variables significant impact on total revenues generation in Nigeria. The study concludes that; diversification of the revenue base of the country should be an urgent policy option to stimulate economic fortune in the long run and recommends that; to improve the revenue generation from manufacturing industries, solid minerals and vat, the Nigerian federal government should ensure that non-oil revenues that are collected are accounted for to the public in print and electronic media and properly utilized in the provision of social amenities that will provide not only a conducive environment for business to strive but also encourage tax compliance by tax payers in the county. Government should also be committed to establishing machinery to drive its non-oil revenue policies and strategies aimed at opening up the non-oil productive sector and setting it on the right track for revenue generation thereby eliminating all forms of bottlenecks that would sabotage the development of the Nigeria's non-oil revenue potentials.*

Keywords: IGR, Economic development, manufacturing sector, solid mineral revenue and value added tax

Introduction

Revenue generation is very germane to the development of any nation, this is because it is the basis for running the socioeconomic and political business of the government of the day and its contribution cannot be overemphasised. The World Bank, (2013) asserted that before the oil discovery of oil in Nigeria, non-oil sector contributed about 66% to her foreign earnings, generated over 60% of her total revenue generation in Nigeria. In 1981, the contribution of

non-oil revenue to total revenue was N4.73 billion. Between1982 and 1985, revenue from non-oil decreased to N4.13 billion. In 1995, it was N135.44 billion after a decade; the non-oil revenue increased to N314.48 billion in 2000. Furthermore, from 2008 to 2016 non-oil revenue has shown tremendous increase from N1,336.00 billion to N2,922.50 billion Central Bank of Nigeria (CBN, 2016). This shows that if government devotes much effort to revenue generation from the non-oil sector, the flow of government revenue will be sustainable and appreciable overtime. According to Izuchuwu (2011), the non-oil sector has the potential or capacity to provide food for human population, source of raw materials for industries and thus, increase non-oil revenue generation.

The dwindling oil revenue in the recent times has provided the nation a great displeasure but at the same time an opportunity to look inwards to improve its revenue base. In other words, the volatility in crude oil prices and the decline of oil revenue makes the federal government to aim to diversify the economy from oil to the non-oil sectors (Olayungo & Olayemi, 2018). This has a need to examine the contribution of non-oil revenue to revenue generation as an alternative to oil revenue in the country. For the purpose of this investigation, the sources of IGR utilized here are from manufacturing revenue, solid mineral and value added tax. These variables are used to measure the contributions of the non-oil revenue to revenue generation in Nigeria.

Several studies have been conducted on non-oil revenue generation in Nigeria but with emphasis on economic growth and development. Among these studies are those carried out by Salami, Amusa, and Ojoke (2018), Awe and Ajayi (2009), Dennis and Emmanuel (2014), Rotimi, Udu and Abdul-Azeez (2013), Ogechukwu and Uche (2016), to mention a few. There have been little studies that had comprehensively examined the contribution of the non-oil revenue source to revenue generation in Nigeria. Known study on non-oil revenue contribution to revenue generation was that of Ogechukwu and Uche (2016), Ude and Agodi (2014), who focused only on taxation revenue contribution to total revenue. There is a need to examine the contribution of non-oil revenue to revenue generation as an alternative to oil revenue in the country.

The study covered a period of 37 years spanning from 1981 to 2018. The choice of the base year (1981) was informed on the fact that the data on total revenue as published by the Central Bank of Nigeria (CBN, 2016-2018) statistical bulletin started in that year. This starting period limited the scope of the study. The year 2016-2018 was selected as the upper year of the study because the Central Bank of Nigeria (CBN, 2016, 2019) statistical bulletin from which data were extracted for the research was only up to that year. The choice of the study variables was based on the literature review of studies by Ude and Agodi (2014), Salami, Amusa, and Ojoye (2018), and Awe and Ajayi (2009). From these literatures, the current study selected non-oil revenue variables of manufacturing revenue, solid mineral revenue and value added tax measured to total revenue generation

Research Hypotheses

Ho_1: Manufacturing Revenue has not significantly contributed to revenue generation in Nigeria
Ho_2: Solid Mineral Revenue has not significantly contributed to revenue generation in Nigeria
Ho_3: Value Added Tax has not significantly contributed to revenue generation in Nigeria.

Scholars Framework of Analysis

Revenue has been defined variously by scholars at different times. The concept lacks a universally accepted definition. Revenue relates to income accruing to a body such as government not restricted to the sales of goods and services but other means including imposition and charging of fees and fines. Procter (2005) defined revenue as an income. This view does not indicate how the income is derived. Fayemi (2001) also referred revenue as all tools of income to government such as taxes, rates, fees, duties, fines, penalties and all other receipts of government from whatever source arising over a period of time.From this view, it is clear that government generates revenue through so many ways. Similarly, revenue is conceived as the total income accruing to a government within a specific period of time (Abubakar& Kaka, 2011). Statutorily, the Constitution of the Federal Republic of Nigeria (FRN, 1999) defined revenue as any income or returns accruing to or derived by the government from internal and external sources. This shows revenue may be internally or externally derived by the government.

Riti, Gubak and Dankumo (2016) defined non-oil revenue as revenue generated from those groups of economic activities which are outside the petroleum and gas industry or not directly linked to them. These include: agriculture, mining, telecommunication service, banking, insurance, manufacturing and taxation. In the word of Akeem (2011), the the non-oil sector of the Nigerian economy refers to agriculture, industry, solid minerals and the services sub-sector, including transport, communication, distributive trade, financial services, insurance, government, etc. Put differently, non-oil revenue is revenue accruing from sources other than from the oil revenue source. The Nigerian Government has displayed determination over the years to grow the non-oil revenue by putting some of the sources of non-oil revenue as the exclusive reserve of the federal government of Nigeria.

Manufacturing Revenue and Revenue Generation

The manufacturing sector is one of the most dynamic sectors in Nigeria. The contribution of manufacturing revenue in non-oil sector cannot be overemphasised. Manufacturing industries in Nigeria so far has done well in production of goods to the nation (Ogba, Park and Nakah, 2018). The implication of inadequate revenue generation from manufacturing sector is that the country has not fully harnessed its potentials particularly in the production of goods in which the country enjoys a measure of comparative advantage. There are several underlying factors contributed to the poor performance of revenue generation of manufacturing sector over the years, the factors include: inefficient/obsolete technological base, low productivity, non-functional industrialisation strategy based on import substitution, persistent inflationary pressure, lingering political problems, and policy instability among others. Recent developments in the Nigerian economy had led to the recognition of the ultimate significance of development and marketing of quality manufactured products as a means of enhancing revenue generation from manufacturing sector.

Solid Mineral Revenue and Revenue generation

Minerals are naturally occurring inorganic solid elements or compound with a definite composition or range in composition usually having a regular internal crystal structura1 such as crusted rock, gavel, sand and clay are ubiquitous building materials widely used for rural and concrete dwellings, and within the housing industry for engineering works like roads, buildings,

bridges, and dams. Literate is a common building and road-surfacing material. River gravel of various sizes is widely available as aggregates and building materials, especially in Akwa-Ibom and Cross River States. Sand of glass making quality has been found in many parts of the country.

The National Policy on Solid minerals in Nigeria defined minerals as encompassing a wide variety of endowments going from iron ore to coal, to sand, gravel, some of them found on the surface while others can only be won from the world through underground mining. The rate of mineral endowment in a country is what first of all attracts a foreign investor to a particular country in respect of investment in solid mineral industry. Mining companies are attracted to countries with proven geological endowment. Hence, the high rate of foreign investors in places like Australia, Canada, United States of America and some developing countries like Botswana, Brazil, Chile, Peru, Argentina, Ghana.

According to Nigerian Extractive Industry Transparency Initiative (NEITI) showed the recent country's revenue from the sector in 2008 stood at N9.5 billion and moved to N19.4 billion in 2009. In 2010, the figure declined to N17.3 billion but moved to N26.9 billion, N31.4 billion, N33.8 billion in 2011, 2012 and 2013 respectively. In 2014, the revenue went to N49.6 billion, the figure declined to N25.3billion, N25billion in 2015 and 2016. The nation's economy need both individuals and the government to the fact that there was serious need to diversify the nation's foreign earnings and that there could be no better alternative than the solid mineral industry.

Value Added Tax and Revenue generation

Value Added Tax as a system of revenue generation has been in existence in Nigeria since January 1st, 1994. It has recorded remarkable increase in revenue generation for the nation and has been shown by numerous researchers to be more effective than the sale tax in revenue generation, Jayeoba and Danjuma, (2016). VAT may be a consumption tax that's being charged and embraced by many developed and developing countries, which is comparatively easy to administer and really difficult to evade. According to Federal Inland Revenue Service FIRS (1995) as cited by Bassey (2013), Value Added Tax is a consumption tax payable on the goods and services consumed by any person whether government agencies, business organisations or individuals. In Africa, many West African countries and most Francophone countries operate VAT. Cote divoire, Togo, Senegal all has VAT systems. In Nigeria, VAT was recommended in November, 1991.The decision to accept the recommendation was made public in the 1997 budget speech and the administration of VAT was given to Federal Inland Revenue Service (FIRS) which already had the responsibility of administering most other taxes in Nigeria.

Decree 102 of 1993 marked the phasing out of sale tax from 1st December, 1993 and introduce of VAT but by tax purpose commended on 1st January, 1994. According to Izedonmi and Okunbor (2014), VAT is already a major sources of revenue contributed to revenue generation in Nigeria. In 1994 it was N189bilion which is 36.5% higher than the projected N6billion for the year. VAT revenue for 1995 was N21billion compared with the projected N12billion. That VAT contribution to Nigeria Federal Revenue in 1994 and 1995 were 4.06% and 5.93% respectively. N404.5billion collected 2008 was 5.1% of total revenue. The National Bureau of Statistics (NBS) says Nigeria generated N204.77billion as Value Added Tax within the

half-moon of 2017. The NBS stated this report in a Sectored Distribution of VAT data for the first quarter of 2017, published by NBS. The report showed that the N204.77billion generated within the quarter was less than N207.35billion generated within the fourth quarter of 2016. According to the report by NBS, the decline in the amount generated represented 1.25 per cent decrease quarter on quarter, comparing the amount to the first quarter of 2016. The report state that VAT generated was N186.43billion in half-moon of 2018, representing 9.84 per cent increase year on year.

Research Methods and Materials

This investigation was carried out to interrogate the contributory impact of revenue generated from manufacturing revenue, solid mineral and value added tax. Secondary data were obtained from obtained from CBN statistical bulletin, 2018 covering the period of 1981 to 2018. The CBN statistical bulletin was used to extract data on both the total revenue collected by the federal government and revenue generated from manufacturing revenue, solid mineral and value added tax. The study made use of descriptive and inferential statistics to analyse the data of the study. This includes Multiple Regression Analysis, Coefficient for correlations of independent sample and analysis of variance (ANOVA) for significant impact samples. Multiple Regressions was used to analyse the joint influence of independent variables and the dependent variable. Furthermore, the coefficient was used to test the relationship of the non-oil revenue to the economy.

Model Specification

$REVG_t = \beta_0 + \beta_1 MR + \beta_2 SR + \beta_3 VAT + u_t$..

where;

REVG = Total Revenue Generation

MR=Manufacturing Revenue

SR= Solid Mineral Revenue

VAT= Value Added Tax

β_0= intercept

From the model, the a priori expectation is mathematically expressed as; $\beta_1 > 0, \beta_2 > 0, \beta_3 > 0,$

RESULT AND DISCUSSION OF FINDINGS

Descriptive Statistics of the Variables of Study from 1981 – 2018

VAR	MIN	MAX	MEAN	STD DEV	SKEW	KURT	OBS
MR	1.0200	6.6800	2.5083	1.61	1.64	1.57	36
SR	3.6600	25.3700	9.8236	7.11	1.10	-0.19	36
VAT	0.0000	803.4000	206.6006	287.4057	1.22	-0.97	36
TREV	10.51	11116.90	2991.4919	3642.83	0.98	-0.39	36

Source: Researcher's Computation Using SPSS 23

Table above shows that there are 36 observations from 1981 to 2018 over a period of 38 years with one explained variable which is Total Revenue Generated (TREV) and three explanatory variables which are Manufacturing Revenue (MR), Solid Mineral Revenue(SR) and Value Added Tax (VAT). findings indicates that the mean values for all the variables of the study

are MR, 9.8236 for SR, 206.6006 for VAT and 2993.21 for TREV with their level of dispersion from the mean being 4.74333, 7.11, 287.4057 and 3642.83 respectively. The interpretation of these values is that the mean value of MR is N2.5083, SR is also N9.8236, VAT is 202.6006 and a total of N2991.49 billion was the mean revenue recorded in the period of the study. For the minimum and maximum values, findings shows that in the period under review, the country recorded a minimum value MR during the study period has a minimum value of N1.012 billion and a maximum of N6.68422 billion, also SR has a minimum value of N3.6600 and a maximum value of N25.3100. Finally, VAT has a minimum value of N0000 and a maximum of N803.4000 respectively.

Multiple Regression results

Variables	Coefficients	t-Values	p-values	Hypothesis Testing	VIF	1/VIF
(Constant)	-1437.407	0.775	0.444			
MR	606.066	0.896	0.378	Ho_1: Rejected	39.326	0.025
SR	78.613	0.160	0.874	Ho_2: Rejected	498.494	0.002
VAT	19.435	3.582	0.001	Ho_3: Rejected	666.148	0.002
R	0.985					
R^2	0.970					
Adj R^2	0. 956					
F-Stats	70.617	.000				

Source: Researcher's Computation Using SPSS 23

The empirical model that captures the variables of this study from table 2 as TREVit = *-1437.407 +606.066*MRit ++78.613SRit +19.435

Findings from the table above indicate that the *t*-value for MR measured to the total revenue is 0.896 with a coefficient of 606.066. This result indicates that the MR positively affects the TREV of Nigeria. It further implies that a percentage increase in the MR will increase the TREV by N606.066 billion over the period of the study. Meanwhile, the *p*-value of 0.378 which is significant at 5% provides statistical evidence for this study to reject the firstnull hypothesis of the study (*Ho_1*) which states that manufacturing revenue does not significantly contribute to revenues generation in Nigeria. The *t*-value for the solid mineral revenue is 0.160 while the coefficient value is 78.613. The SR positively and significantly influences the total revenues generation in Nigeria. The coefficient of 78.613 implies that as the SR increases, the total revenue of the sampled periods in Nigeria will also increase. Given the *p*-value of 0.874 obtained from the multiple regression results, which is statistically significant at 5%, it is enough statistical evidence to reject the second hypothesis of the study (*Ho_2*) that solid mineral revenue does not significantly contribute to revenues generation in Nigeria.

Consequently, the *t*-value for MR measured to the total revenue is 3.582 with a coefficient of 19.435. This result indicates that the VAT positively affects the TREV of Nigeria. It further implies that a percentage increase in the VAT will increase the TREV by N1.435 billion over the period of the study. Meanwhile, the *p*-value of 0.001 which is significant at 5%

provides statistical evidence for this study to reject the third null hypothesis of the study (Ho_3) which states that VAT does not significantly contribute to revenues generation in Nigeria.

The combined effects of the explanatory variables on the dependent variable of this study are demonstrated by the R, R^2, Adjusted R^2 whose values are 0.971, 0. 943, 0.931 and 80.140 respectively. From the multiple regression estimation, it is observable that there is combined correlation of 97.1% between the dependent and independent variables of the study. This cumulatively indicates that a strong positive relationship exists between the dependent and the independent variables of the study and that an improvement in the sources of revenues enumerated would bring positive change of 97.1% to the total revenues in Nigeria. Furthermore, the $R^2$of 94.3% represents the multiple correlation coefficient of determination, which shows the cumulative impact and the degree of the total variation in the total revenue (TREV) explained by the explanatory variables of the study. The meaning of this result is that the regression model adopted in this study has an average explanatory power of 94.3%. It also implies that the total variation of the dependent variable explained by the explanatory variables of the study is 94.3% while the remaining 5.7% is the residual or other factors that are not explained by the model used. Since the R^2 produced in this study is greater than 90%, it is presumed that, the multiple regression model used in this study is fit. The fitness of the model adopted is further confirmed by the *F*-statistic of 80.140, which is significant at 1%. The p-value of 0.000, thus indicates that there is proper selection, combination, and specification of the variables in this study and that there is 99% confidence level that the variation explained by the model of this study is not due to chance.

Discussion of Findings

Based on the results analyzed, it was discovered thatin furtherance; this study also establishes the MR positively affects the TREV of Nigeria. From the statistical evidence, it is clear that manufacturing revenue contribute the highest among the study variables to revenue generation in Nigeria. The finding of this study is contrary to the findings of **Awe and Ajayi (2009), but is in consonance with those of Ude and Agodi, (2013).** The result also indicates that the SR positively and significantly influences the total revenue generation in Nigeria. This implies that the SR as one of the source of non-oil revenue has contributed to total revenue generation in Nigeria. The result obtained in this study reject the findings of **Alfred (2014).**In furtherance, this study also establishes the VAT positively affects the TREV of Nigeria. From the statistical evidence, it is clear that VAT contribute the almost highest among the study variables to revenue generation in Nigeria. The finding of this study **is in consonance with those of** Adegbie, Jayeoba, and Kwabai, (2016) and Onwuchekwa, and Aruwa, (2014).

The implication of the findings of this study is pointing directly at policy makers, especially the Federal Board of Inland Revenue and other allied agencies as all the variables exhibit a positively significant relationship with TREV, implying that there should be no area in tax collection that should be taken lightly as they have all proven to be major variables in generating the TREV of the economy. It is clear from the results that non-oil revenue is an alternative means of raising revenue that the government can use to provide adequate amenities and infrastructure for its citizens as well as enhance growth and development.

Concluding remarks and recommendations

The over-reliance of the Nigeria federal government oil revenue has put it in a difficult situation following the declining oil price at the world international market. This study shows that the revenue generated from manufacturing industries, solid minerals and vat contributed immensely to the Nigerian economic development. This implies that the diversification of the revenue base of the country should be an urgent policy option to stimulate economic fortune in the long run and recommends that; to improve the revenue generation from manufacturing industries, solid minerals and vat, the Nigerian federal government should ensure that revenue from these sectors are duly collected and accounted both in print and electronic media and properly utilized in the provision of social amenities that will provide not only a conducive environment for business to strive but also encourage tax compliance by tax payers in the county.

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