



AN EMPIRICAL ANALYSIS OF GOVERNMENT REVENUE AND ECONOMIC GROWTH IN NIGERIA: IMPLICATIONS FOR LEADERS

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ABSTRACT

The study investigated the relationship between government revenue and economic growth in within the period of 2000-2017. Its specific objective was to ascertain the relationship between independent revenue of federal government of Nigeria (INR) and Gross domestic product (GDP) of Nigeria. Explanatory, historical and correlational design was adopted for the study while secondary data was utilized for the study. Data was sourced from Statistical bulletin of Central Bank of Nigeria and National Bureau of Statistics annual reports (various years). The data collected was from the period 2000–2017. Regression was used for data analysis and testing of the hypothesis. The result of the study shows that federal government independent revenue has a significant and positive relationship with economic growth when measured on the GDP. The implications for leaders is that government revenue when adequately utilized by leaders especially those at the helm of affairs in terms of provision of infrastructure, creation of employment through the construction of industries, thereby creation of goods and services, exportation would be achieved, income level of the citizens will likely increase and overall economic growth could be achieved which could in turn lead to increase in development of the nation. Where leaders are involved in mismanagement of government revenue, engaged in corruption and other anti-patriotic activities, economic growth and development would be undermined, poverty and the likes will continue to pervade Nigeria.

Keywords: Economic Growth, Gross Domestic Product (GDP), Government Revenue, Independent Revenue of FGN, Nigeria.

Reference to this paper should be made as follows:

Berembo, P. A., & Igonikon, D. T. P. (2020). An empirical analysis of government revenue and economic growth in Nigeria: implications for leaders. *International Journal of Institutional Leadership, Policy and Management*, 2(1), 36-53.

INTRODUCTION

In recent times, several economic development indicators that pertain to Nigeria have been on the downside, while at the same time its revenue and expenditure have been increasing. With the indicators on the downside, development as supposed could be said to be an elusive task. Whilst it is argued that the Nigerian economy is currently undergoing turbulent times as a result of drastic and unwanted changes that have befooled it, however the rate of recovery cannot be said to be at the expected and accepted rate (Agu, Okwo, Ugwunta&Idike, 2015; Afokuyomi, 2017), therefore calls for a policy check as well as retraction on the policy thrust that has been underlined that will result in economic recovery becomes necessary. According to Proshare (2017), there are spikes in inflation, a dramatic increase in unemployment, negative and low economic growth rate as well as a substantive decrease in foreign reserves and all of these signify economic downturn for the nation. Consequently, macroeconomic objectives have not been realistic and thus Nigeria is saddled with the responsibility of evaluating and realigning fiscal policies towards attending to these negative economic indicators that could lead her to the part of economic growth and consequently development.

Interestingly, in recent times as well, Nigerian revenue has continued to increase although faltering due to fluctuations in oil prices, and at the same time its public or government expenditure has also been on the increasing side (Bidemi & Brown 2015; Abubarkar 2016). However, the increase in revenue as well as increase in expenditure has not translated into the growth and development of the economy and its citizens. There have not been increase in the standard of living and the means of income of the people indicated in recent reports as earlier stated. Economic growth objectives and pursuits have not been yielding needed result. Economic growth may not be achieved without effective and efficient revenue generation and management system. Therefore, economic growth is related to a quantitative sustained increase in the country's per capita output or income/revenue accompanied by expansion in its labour force, consumption, capital and volume of trade (Jhingan, 2007).

According to Azubike (2009), for government to meet the increasing needs of the society, huge funds should be at its disposal which an individual or society cannot contribute alone. Hence, finding a more sustainable funding of the economy needs to be sourced from the mobilization of public resources and one medium through which such fund could be derived is through taxation and its revenue amongst others. However, generating the needed revenue for growth and development activities is not a guarantee that the needed infrastructural development for a nation such as Nigeria will come. This is due to the fact that the effective and efficient utilization of revenue to engender economic growth and development may not be felt if is poorly administered through allocation and expenditure.

Government revenue is the income generated from various resources that government utilizes for execution of its obligations. Government revenue comprises of many sources. They include revenue from oil and oil related sources; non-oil sources (including taxation, federation account, levies); independent revenue; and other sources (Proshare, 2016). Government through the budget, estimates the amount of revenue as well as expenditure it will embark on so as to actualize its macroeconomic objectives and ultimately achieve development status (Onuchukwu, Kalagbor & Nzor, 2012). As observed by Ordu and Anaele (2015) amongst others, in Nigeria, the greatest amount of revenue comes from the oil revenue. This is because Nigeria has abundance of oil resources including natural gas and its major export is the same crude oil. Furthermore, Nigeria is also endowed with other natural resources such as tin, iron ore, coal,

limestone, lead, zinc and arable land (Economy Watch, 2011), which can be explored and operators in such industries liable to taxation as well. As such revenue emanating from these areas via taxation is critical to sustainable growth and development of the nation.

Whilst Nigeria is adjoined the giant of Africa, however it still faces gross underdevelopment and low economic growth. There are low levels of development indicators: low level of income characterized by low per capital income, poor health condition, and low life expectancy, low level of human development rating (index) inadequacy in education, high inflation rate, poor infrastructure and human capital development as well as economic recession in practice having suffered sluggish economic growth in previous years. All of these are against the backdrop of huge revenue inflow it has emanating from both oil and non-oil sources including value added tax and other taxes.

Expenditure profiles have been high and in recent times there have been heated debate on the depletion of the excess crude account and its reserves (Abubaker, 2016). These have led to calls for change of leadership among some elites whilst some have blamed it to endemic corruption that has characterized previous governments and leadership amongst others. In the midst of these the citizens have continued to suffer abject poverty just to mention the few. There have been call and counter calls that the revenue generation base needs to be increased and that Nigerian has suffered these economic backwardness due to low revenue as a result of fall in oil prices in recent times (Agu, Okwo, Ugwunta & Idike, 2015). While this call could be justified given this recent trend of oil revenue fluctuations, however looking at longer periods and trends, could the call be justified? How about the oil boom of 2008 as reports showed that the excess crude account had well over \$20b in its coffers (World Bank, 2013)?

This is where the problem lies. Government revenue has not equated the level of economic growth and development witnessed even in the period of boom. Another problem has been the issue of short fall in revenue as a result of leakages and inability to keep to civic responsibility of taxation – both in collection and remittances even in the midst of incentives. As a result huge billions of naira is lost every year due to tax avoidance, evasion and non-compliance (Ironkwe & Ordu, 2016).

One thing is to have efficient system that discourages these revenue leakages another is to have good accountability and prudence in the expenditure of the accumulated revenue in other to achieve a commensurate result. In view of these issues, this study seeks to examine whether a positive and significant relationship between government revenue and economic growth could be witnessed in Nigeria within the period of 2000-2017. On this premise the study is scoped theoretically on investigating the impact of government revenue on economic growth, while its unit scope includes the federally collected and disbursed revenue as Independent revenue of federal government, and economic growth indicator of Gross Domestic Product.

Study Aim and Objective

The main aim of this study is to determine the impact of government revenue on economic growth in Nigeria within the period of 2000-2017. Its specific objective includes:

- To investigate the relationship between independent revenue of federal government and gross domestic product of Nigeria within the period of 2000-2017.

Research Question

- To what extent does independent revenue of federal government relate with gross domestic product of Nigeria within the period of 2000-2017?

Hypothesis

- **HO₁**: There is no significant relationship between independent revenue of federal government and gross domestic product of Nigeria within the period of 2000-2017.

REVIEW OF RELATED LITERATURE

Concept of Government Revenue

Government revenue otherwise known as public revenue is the income generated from various resources that government utilizes for execution of its obligations. The sources through which the revenue emanates from includes revenue from oil and oil related sources; non-oil sources (including taxation, federation account, levies); independent revenue; and other sources (Proshare, 2017). The budget plays a vital role in establishing how these funds would be sourced and how they will as well be expended so as to actualize economic objectives towards development (Onuchukwu et al., 2012). According to Bedemi& Brown (2015) when there is an increase in public revenue with a corresponding increase in public expenditure, economic growth and development as well as other macroeconomic objectives can be actualized. Government through the budget, estimates the amount of revenue as well as expenditure it will embark on so to actualize growth objectives. It is argued that when there is an increase in revenue with a corresponding increase in expenditure, economic wellbeing of the nation can be achieved (Abubarkar, 2016; Bedemi & Brown, 2015). However a cursory look at government revenue in recent periods shows that government revenue has been on the increasing trend, yet economic woes are prevalent perhaps signifying that fiscal policies (revenue and expenditure mix of government) has been counterproductive hence and rethink in needed.

Independent Revenue of Federal Government

Federal government independent revenue consist of revenues that accrued to the federal government from ministries, Agencies and departments that are under the control of the federal government, aside from revenue from the federation account that are shared amongst the three tiers of government. These revenues are in the forms of internally generated revenue as well as revenue from its sales of treasuries and loan recoveries. As the law demands (Fiscal Responsibility Act (FRA), 2007), the 80% of the surplus revenues generated by these agencies are to be transferred to the treasury of the federal government. This revenue forms a substantial part of revenue sources for the national budget. In year 2008 independent revenue accounted for 6% of the total funding of the budget whilst in year 2015 it has jumped to over 12% of the total budget revenue sources (Onigbinde, 2016).

Furthermore, the independent revenue has witnessed a steady rise in recent times. For example the revenue amounted to N295.3b, N323.2b and N237.7 b in years 2014, 2015 and 2016 respectively (Onigbinde, 2017). However, it fell to 155.1billion in year 2017 indicating that

revenue leakages still exist in the face of the implementation of treasury single account (TSA) system of the federal government that is supposed to serve as revenue leakage blockage. As rightly pointed out by the chairman of the fiscal responsibility commission in his remarks, as at October 2017, the independent revenue of the Federal Government had failed to reach up to the 25 per cent target.” The reason behind this as he noted is that “the agencies are not remitting the revenues as they are supposed to” (Vanguard new report, 2018), thus independent revenue of FG has continued to slide and taken an unstable position. With the unstable nature of the revenue accruing to the independent revenue account as revealed in recent times, one can argue that expenditure should be down, however as stated earlier, expenditure has been on the rise regardless of faltering revenue in the independent account, whilst development indicators have shown reverse positions.

Ministries, Department and Agencies (MDAs) of FGN that are Sources of its Independent Revenue

There are 263 agencies of government of which independent revenue are supposed to come from (Vanguard Report, 2018), and these agencies are to generate and remit to the federal government a projected revenue of N1.7 trillion of which is to be used to fund the 2018 budget (Onigbinde, 2017). However, recent reports revealed that not all of these agencies are remitting their generated revenue to the treasury of FGN consequently leading to a revenue shortfall in the independent revenue account. According to the chairman of the fiscal responsibility commission, several agencies have not responded to the TSA call and circulars and counter circulars have been issued to them and yet they have not responded. A total of 132 MDAs have been issued circular as at 2016 (Vanguard, 2018). Some of them include: the Central Bank of Nigeria, Nigeria Deposit Insurance Corporation, Securities and Exchange Commission, Nigerian Shippers Council, Nigerian Export Promotion Council, National Health Insurance Scheme, Nigerian Civil Aviation Authority, and Nigerian Communication Commission amongst others (Business news, 2016). Whether or not they comply is another issue. However, one thing remains, the independent revenue account of FGN is an important account that is crucial to the development of the nation and will have impact on the implementation of economic growth objectives of the government, and as such every effort to ensure judicious use and management could yield results towards the economic well-being of the nation.

Concept of Economic Growth

Economic growth is generally viewed as an increase in per capita income. Generally an increase in national income means an increase in total outputs of goods and service. According to Gbosi (2007), Economic growth is an increase in capacity of an economy to produce goods and services compared from one period of time to another. Hence, it is seen as an increase in a country’s real level of national output which is caused by an increase in the quality of resources and improvements in technology or an increase in the value of goods and services produced by every sector of the economy.

There are several economic indicators that can be used to measure both economic growth as well as economic development. These indicators actually show how well an economy has fared or how badly it is doing. Some of the indicators are Gross domestic product (GDP), Per capita income (PCI), Inflation and inflation rate as well as unemployment rate. Economic growth

specifically means an increase in the amount of the goods and services produced over a specific period of time and economists use an increase in country's GDP to measure economic growth. On the other hand, economic development is a sustained increased in per capital national output or net national product over a long period of time. It implies that the rate of increase in total output must be greater than the rate of population growth (Dwinvedi, 2004).

As Todero and Smith (2011) assert, economic development is a policy intervention effort which aims at the economic and social well-being of people. In other words, it could be referred to as policy makers' actions which promote the health, political and social well-being of people. Common areas of development include literacy rates, life expectancy, unemployment, poverty rate etc. Thus, it is possible to have economic growth without economic development. That is, there could be an increase in a country's GDP without a corresponding increase in standard of living of people in a state. Environmental conditions that would enhance economic growth must be created through an investment of the government revenue on infrastructural and social provision that will lead to improvement in the standard of life of the citizens of the nation then it could be said the development has taken place.

Concept of Gross Domestic Product

The gross domestic product (GDP) is one of the primary indicators used to gauge the health of a country's economy. According to the Central Bank of Nigeria (2010), GDP is the money value of goods and services produced in an economy during a period of time irrespective of the nationality of the people who produced the goods and services. It is usually calculated without making any allowance for capital consumption (or deductions for depreciation). It represents the total dollar value of all goods and services produced over a specific time period. GDP may be seen as the godfather of the indicator world. Usually, GDP is expressed as a comparison to the previous quarter or year. For example, if the year-to-year GDP is up 5%, this is thought to mean that the economy has grown by 5% over the last year. The measurement of GDP is difficult; that is why it is left to the economists (Ironkwe & Success, 2017).

Two basic calculations are used for determining GDP these are: adding up what everyone earned in a year (income approach), or by adding up what everyone spent (expenditure method). Logically, both measures should arrive at roughly the same total. The income approach on its own is calculated by adding up total compensation to employees, gross profits for incorporated and non-incorporated firms, and taxes less any subsidies. The expenditure method is the more common approach and is calculated by adding total consumption, investment, government spending and net exports. As one can imagine, economic production and growth, what GDP represents, has a large impact on nearly everyone within the economy. For example, when the economy is healthy, there is a resultant low unemployment and wage increases as businesses demand labour to meet the growing economy. As the economy continues to grow, development can be seen to take place.

In a nut shell, GDP is a development indicator that is used to measure the national income and output of the country within a given period. The GDP is equal to the total expenditures for all goods and services produced in the country within a given period of time, usually on an annual basis (tradingeconomics.com, 2018). This indicator is critical as it is tied to government expenditure especially those that a capital in nature that can translate into production of goods and services in the nation. When the GDP is high it signifies that the economy is growing and thus on the part of development. Similarly when the GDP is low, it signifies that the

nation is faltering in developmental strides. And when the GDP is on the negative, it signifies that the economy is in recession and thus, developmental strides are retarding.

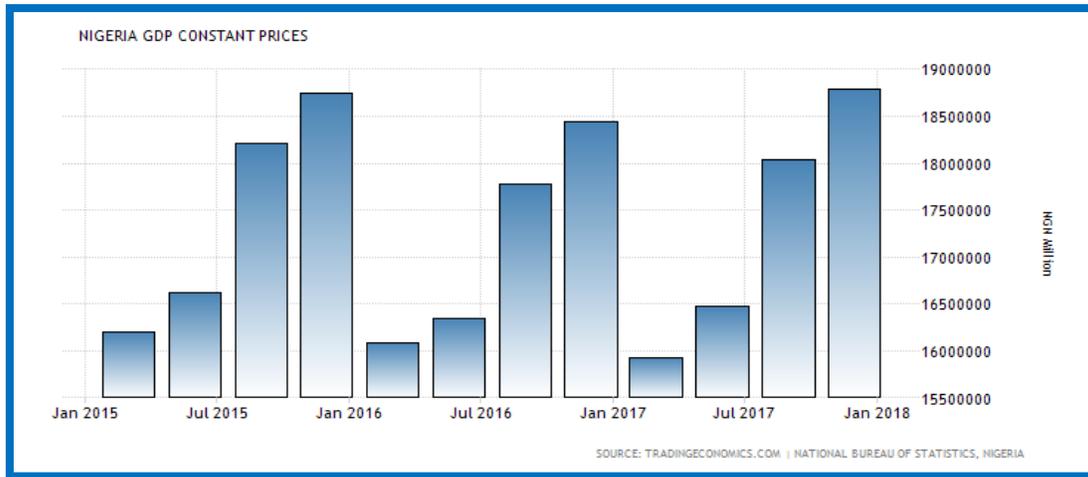


Figure 1: Recent GDP trend for Nigeria (Source: tradingeconomics.com, 2018)

From the chart above, it can be seen that in recent times the GDP has remained unstable in terms of its increase. Having increased in last quarter of 2015 to N18, 350,125 trillion, and began to fall, N17.7 trillion in the same period in year 2016. It however began to rise in the subsequent year and thus increased to N18, 785, 149.20t in same period in year 2017. This signifying that economic development activities in Nigeria have not been consistent as there is a skewed movement as the trend portrays. Whilst growth and development could be seen to have been taking place from 2009 to 2014, it seems that after that period, growth and development has taken a retrogressive step. Needless to say that Nigerian economy has been in recession since 2015 and though believed to have recovered, but in reality the standard of living of the people have remained low and like this indicator reveals, the growth is faltering as such increase in government expenditure is needed. Perhaps a look at the growth rate could tell the extent of the recovery from recession as claimed in some quarters of government.



Figure 2: GDP Annual growth rate in recent times (Source: tradingeconomics.com, 2018)

From the chart above, it can be observed that between the January of 2015 and January of 2018, the economic growth was witnessed in Nigeria at a faster rate in 2015 with a record of 3.96 % whilst within one year it has a negative figure of -0.67 in January 2016 indicating a recession in the economy. Even though it seems to be picking up as seen in January of 2018, the rate of growth is still low compared to 2015 of the same period. In all it shows that growth and developmental strides have been experiencing a faltering position within this short term as depicted in the chart, however looking at the long term trend (which is the overall focus of this study) will help to make more informed decisions.

Government Revenue and Economic Growth

The relationship between revenue and economic growth and development cannot be overemphasized. Olayungbo and Adediran (2017) examined the effects of government revenue on economic growth in Nigeria by using annual data from 1984 to 2014, and using the Autoregressive Distributed Lag (ARDL) model to show the existence of long-run equilibrium among oil revenue, institutional quality, and economic growth. The study revealed that revenue especially that from Oil promotes economic growth in the short run and reduces it in the long run. Further, it revealed that institutional quality is important in explaining the relationship between oil revenue and economic growth in Nigeria. Thus when revenue especially that from oil sources are on the increasing side, government has the means to engage in its expenditure – that is supposed to trigger growth and wellbeing activities in the nation. And where revenue generated is declined, no doubt expenditure would be affected unless government is involved in borrowing to meet up with the shortfalls especially when projections could be met.

Brown and Bidemi, (2015) examined the effect of fiscal measures on balance of payment of Nigeria. Using Autoregressive methodology, the study revealed that about 80% of the systematic variation in the balance of payment (BOP) is explained by the three independent variables of government expenditure, government tax revenue and government debt. In addition, tax revenue was shown to have a positive and significant effect on balance of payment in Nigeria while government expenditure and debt have negative and significant impact on balance of payments in Nigeria. The study recommends that expansionary fiscal policy measures should be encouraged as they play vital role for the growth of the BOP in Nigeria. In addition, export promotion and import substitution strategies should be put in place so that a favorable balance of payments could be achieved. This is a critical government account, the current account whose balances are of great importance to government so as to ascertain whether economic growth and development are on track.

THEORETICAL FRAMEWORK

Keynesian Theory

One of the theories used in explaining the concept and impact of government revenue as well as expenditure on the economy is the theory of John Maynard Keynes, whose classical theory developed in 1933 in the heat of the great depression that hit the western world economies has continued to generate debates amongst scholars and economist in particular. Keynesian theory

states that government through its fiscal policy can influence macroeconomic productivity levels by increasing or decreasing tax levels (revenue levels) and public spending (public expenditure).

It further argued that this influence created as a result of manipulating those variables in turn reduce inflation, increase employment and also maintain a good value for money. He in other words believed that fiscal policies intervention will lead to a countercyclical measure and when the market forces are left alone, they lead to stable level of economy where underemployment is seen at the equilibrium (Tyagi, 2013). Their central believe is that public finance and expenditure when adequately combined can help governments achieve its macroeconomic objectives that puts it on the path of growth and development. It further suggests that governments can either increase revenue and expenditure as the case may be in order to achieve its economic objectives (Onuchukwu, Kalagbor & Nzor, 2012). In other words, if expenditure is increased for instance, productions and investments activities could be stirred up in the economy thereby making the productive sector to be active which can be seen in terms of job creation opportunities and income flow. In addition, production will trigger exports and thus increase export and reduce on imports. Similarly, when revenue is increased expenditure should also increase at the same time otherwise a deficit situation could occur and thus putting the actualization of macroeconomic objectives in jeopardy

As Abu and Abdullahi (2010) argued, within the Keynesian model, when government increases spending, it leads to a higher economic growth and vice versa. This is done by way of keeping equilibrium between effective demand and supply of goods and services, through the manipulation of revenue and expenditure by the government. However, this spending that is needed to spur this economic level of stability is the spending that is geared towards increasing the productive sector of the economy. Other spending that is not tailored towards these will not yield the desired result in terms of the macroeconomic objectives.

Having highlighted this theory as it relate to government revenue and economic development, this study however anchors on Keynesian theory as it concurs with the theory of public finance. The underlying principle as it pertains to public expenditure and revenue as this theory posits is to put policies that will enable government generate the needed revenue for the nation and then channel these to the economy in such a way that economic growth and development can be attained.

REVIEW OF EMPIRICAL LITERATURE

Worlu and Nkoro (2012) examined the impact of tax revenue on the economic growth of Nigeria, using infrastructural development and GDP as proxies for economic growth. Using data of 1980-2007 and ordinary least square regression as the tool of analysis, the study showed that tax revenue stimulates economic growth through infrastructural development. Further, tax revenue was found to have no independent effect on growth through infrastructural development and foreign direct investment, the study recommended that tax revenue can only impact on economic growth when offenders are checkmated so a reducing corruption, evasion and tax avoidance so that tax revenue base for increase growth can be increased.

Nwosu and Okafor (2014) did a disaggregated analysis of government revenue and expenditure in Nigeria. The study examined the relationship between total and separate expenditure as well as total and separate revenue of government within the period of 1970-2011. Using co-integration techniques and Vector Auto Regression (VAR) models with an Error Correction Mechanism (ECM) as the methods of analyses. The study revealed the existence of long run equilibrium relationships between government expenditure variables and revenues

variables. Furthermore, total government expenditure, capital and recurrent expenditures have long run unidirectional relationships with total revenue, oil and non-oil revenue variables as well as unidirectional causalities running from expenditures to revenue variables. The study therefore suggests that increase in government expenditure without a corresponding increase in revenue could widen the budget deficit. As such government should explore other sources of revenue especially the non-oil minerals sector, and also reduce the size of large recurrent expenditure and move towards capital and other investment expenditures.

In a similar vein, Onakoya and Afintinni (2016) examined taxation revenue and economic growth in Nigeria, looking at trends from 1980- 2013. Using descriptive statistics and stationary test analysis, data were analyzed. The study revealed that a long run (but no short run) relationship existed between taxation and economic growth in Nigeria. Further, there is a significant positive relationship between Petroleum profit tax, Company Income tax and economic growth, but a negative relationship between economic growth and customs and Excise Duties. However, the tax components are jointly insignificant in impacting the Nigerian economic growth. Accordingly the study recommended that strong institutional reforms in the tax collection agencies is needed so that revenue leakages could be blocked to reduce corruption whilst, the Federal, state and local governments should urgently modernize and automate all its tax system.

Akhor and Ekundayo (2016) studied the impact of indirect tax revenue on economic growth using VAT and Customs Duty as variables for taxation while GDP was proxied for economic growth. Using secondary data of periods of 1993-2013 and descriptive statistics with the use of correlation and error correction models as the data analysis tool, the study revealed that value added tax and customs duty have a negative and significant impact on economic growth. Accordingly it recommended that avenues for revenue leakage should be plugged so that tax revenue could make meaningful contribution towards economic growth activities.

On the Independent revenue of FGN and GDP as measures of economic development, Akeem (2011) highlighted the importance of revenue allocation to the federation account as well as judicious use of the federation account for economic growth pursuit. In his study an attempt was made to analyze the impact of revenue allocation on the economic growth process in Nigeria looking at the trends 2000- 2008. The study revealed that the current allocation is faulty and has hampered development efforts that should have been initiated by the local government. Further, evidence exists of revenue allocation wastage and mismanagement as such growth objectives have been negatively impacted. The study therefore recommends that effort should be geared towards articulation of policies that will enhance capital formulation, employment of the abundant resources and measures may include attachment of more weight to the share of local government from the federally collected revenue.

Toeing the same line as Akeem (2011), Ogbonaya and Omodero (2017) did a relational analysis of the effect of federation accounts and federal government retained revenue on the Nigerian economic development when measured on GDP, provision of education and health care. Using internally generated revenue of government as proxies for government revenue and GDP for economic growth, the study employed data from 1981-2015 and multiple regression analysis for analysis. The study indicates that a strong positive relationship exists between internal revenue of federal government and economic development variables; however a gap exists amongst the variables which are explained as the corruption antecedents prevalent in the revenue authorities. The study recommended that anti-corruption measures should be put in place to ensure adequate channel of IGR towards developmental efforts.

These studies also agree with the studies of Olayungbo (2017) as well as that of Onyelle and Nwokocha (2016). The study of Onyele and Nwokocha (2016) revealed that sources of public funds such as federation account, independent revenue account and others when adequately utilized results in economic growth and development for Nigeria. In other words where the independent revenue account coupled with federation account and other sources of government revenue such as VAT which serve as pool of revenue used for embarking on public expenditure are judiciously utilized economic development can be witnessed. To buttress this, various literatures support the notion that government revenue when adequately utilized can trigger economic growth and development objectives. However, the pertinent issue therefore is the issue of mismanagement and doing the wrong kind of expenditure. These studies overwhelmingly concurs that a significant relationship exist between economic growth and development of the nations, and this is brought about by adequate utilization of government revenue.

Research Gap Identified in Literature

From the review, it can be observed that there is a growing number of literature in recent times on the issue of government revenue and economic growth aspect (Adereti et al., 2011; Adegbe & Fakule, 2011; Success & Ifurueze, 2012; Burkie et al, 2013; Ofoegbu, Akwu & Oliver, 2016; Ogbonna & Ikeagwu, 2017). However, others that focused on economic development, though related such as (Worlu & Nkoro, 2012; Okafor, 2012; Onakoya & Afintinni, 2016; Akhor & Ekundayo, 2016), among others looked at revenue impact on economic development from the aspect of pure non-oil taxation and GDP as the measures and dimension of their study. While their studies revealed mixed relationship existing between government revenue and economic growth and development, however none of those studies could present a true picture of the impact on economic growth or development of Nigeria since the variables of focus were on pure non-oil revenue in the form of taxation—single or a combination of tax revenues without a combination of other sources of government revenue apart from taxation.

Whilst these studies as reviewed have shown various degree of relationship and impact on economic growth, development as well as government revenue, however none of the studies focused on a mix of government revenue (oil and non-oil combination) as accruing in the independent revenue of federal government as variables of study for economic growth, thus creating a gap in research. These study attempts to fill the gap by incorporating this key element of government revenue—Federal Government Independent revenue while examining its relationship with economic growth measured in GDP.

METHODOLOGY

Research Design

The research design of this study is explanatory, historical and correlational in nature. The focus of an explanatory research design is how to effectively explain the characteristics of a population or a social phenomenon (Saunders, Lewis & Thornhill, 2007). This is usually effective where a quantitative framework is adopted for the study, where it is possible to establish the relationship or influence on one variable on the other. Historical in nature in the sense that historical data—government revenue (Federal government independent revenue), and economic growth measures

(Gross domestic Product) of 18 year period are used. The purpose of historical research design however, is to collect, verify and synthesize evidence from the past to establish facts that either defend or refute the hypothesis being tested. Furthermore, the correlational method adopted, involves the use of regression analysis, and helps to measure the relationship between two variables. It helps to ascertain whether or not a variable has an influence on the other. Unlike in experimentation, the relationship is observed in a more natural environment, thus suitable for this study

Population and Sample of the Study

The population of the study consist of 57 years period (from 1960-2017) when Nigeria gained independence to year 2017 when the economy is recovering from recession it suffered in 2015. Although government revenue including taxation as a form of government revenue has been in existence even before Nigeria had her independence, however looking at it as nation, and thus preparing economic growth indicator to assess its economic position in scheme of things as a nation commences when it gained independence from colonial rule. Therefore, eighteen (18) year period (2000- 2017) for which composite data records were available were chosen for the study, because it will give relatively acceptable time period of study for the research. The data for economic growth for same period (2000- 2017) were also utilized. The sampling technique used is the convenience sampling technique. As the name implies, it is a sample chosen purely on the basis of convenience (Baridam, 2008). The variables in this sample are chosen simply because they are accessible or easy to measure. Hence, purposively, data of the eighteen year period for both government revenue and economic growth dimensions were chosen for this study. The data are Federal government independent revenue and GDP for economic growth measure. The data for the study were collected from Central bank of Nigeria (CBN) statistical bulletin, National Bureau of Statistics, and Federal Inland Revenue Service (FIRS) website.

Method of Data Analysis

The data collected were analyzed using Regression Analysis guided by a regression Model to analyze the relationship of the variables identified as well as ascertain whether or not they have influence over one another. This helped in testing the hypotheses.

Measurement of Variables and Operational Framework

Based on the conceptual framework on the study, we develop a model as a framework for testing here. Dependent variable is the Economic Growth (EG), whilst the independent variable is the Government Revenue (GR). Furthermore, the GDP, is proxied for economic growth. Similarly, the dimension of Government revenue that is used is Independent revenue of federal government (INR)

Thus, the regression equation is $Y=a+bx+c$, where X is the dependent variables and in the case of this study is (Economic Growth proxied by GDP), that the equation tries to predict, Y is the independent variable and in this case are(Government revenue which is represented by: INR respectively that is being used to predict X, a is the Y-intercept of the line, and c is a value called the regression residual. Using the Ordinary Least Square multiple regression formula which states:

$Y_i = b_0 + b_1X_{1j} + b_2X_{2j} + \dots + b_kX_{kj} + e_j$, where y_i is the dependent variable from the population of the interest, b_0, b_1, \dots, b_k are the population partial regression coefficients and $X_{1j}, X_{2j}, \dots, X_{kj}$ are observed values of the independent variables X_1, X_2, \dots, X_k , respectively.

In view of the above, the following models are developed for this study:

$$EG = f(GR) \text{ ----- (1)}$$

$$GDP = f(INR) \text{ ----- (2)}$$

In the linear form, Equation (2) converts to:

$$GDP = b_0 + b_1(INR) + e \text{ ----- (3)}$$

Using Statistical Package for Social Sciences (SPSS) software, the variables were subjected to complementary statistical test and the results will be used for analysis and for hypothesis verification.

Operational Framework

Based on research objective and question and hypothesis two variables are apparent and they are operationalized here whilst showing their various interactions. They are government revenue which serves as the independent variable and economic growth the dependent variable. The research study used the diagram in figure 3 below to illustrate the interaction of independent variables (GR) and the dependent variables (EG).

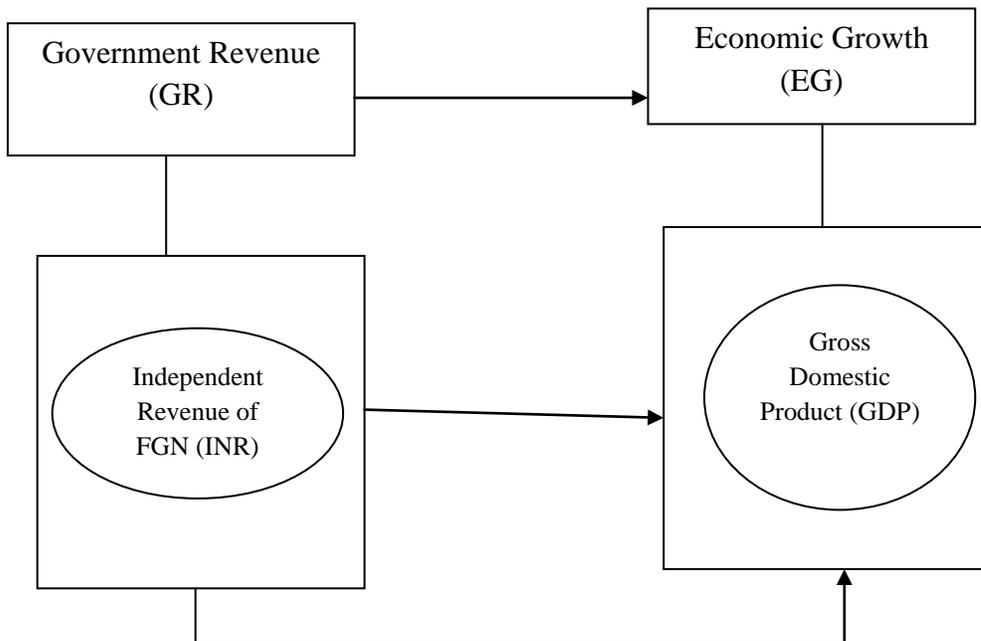


Figure 3: Operational Framework

Source: Author's design (2019)

RESULTS AND ANALYSIS

Testing of Hypotheses

- **HO₁:** There is no significant relationship between Independent revenue of federal government and Gross Domestic product of Nigeria within the period of 2000-2017.

Decision Rule: Accept null hypothesis if calculated F value is less than tabulated (critical) value. The table 4.1 and 4.2 respectively showed a significant change value of 0.000 and calculated F value of 21.532 which higher than the tabulated value of 0.757 consequently the null hypothesis is rejected while alternate is accepted that independent revenue of federal government has a strong, positive and significant relationship with economic growth measured in GDP.

Table 1: Summary of Regression Result ^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				Durbin-Watson	
					R Square Change	F Change	df1	df2		Sig. F Change
1	.757 ^a	.574	.547	10681.37751	.574	21.532	1	16	.000	1.312

a. Predictors: (Constant), INR

b. Dependent Variable: GDP, Source: SPSS Version 21.0

Summary of ANOVA Result ^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2456579301.252	1	2456579301.252	21.532	.000 ^b
	Residual	1825469208.560	16	114091825.535		
	Total	4282048509.812	17			

a. Dependent Variable: GDP

b. Predictors: (Constant), INR

Summary and Discussion of Findings

Based on the results obtained, the null hypothesis was rejected and the alternate accepted that federal government independent revenue has a significant and positive relationship with economic growth when measured on the GDP. Furthermore, with the results obtained R value of 0.757 (76%), R squared value of 0.574 (57%) of independent revenue and GDP in Nigeria shows that 57% of the total variation of economic growth in Nigeria in terms of Gross Domestic Product was due to the effect of Independent revenue of federal government of Nigeria within the period of study. On adjusted bases, 0.547 (55%) GDP was 55% relative to the Independent revenue generated in Nigeria within the period. The Durbin Watson (DW) is 1.312 and it is less than 2. This however shows that there is an evidence of positive serial correlation between independent revenue and GDP in Nigeria.

In conclusion, the significant and positive relationship that is discovered to exist between independent revenue dimension of government revenue and economic growth in terms of GDP implies that government revenue when adequately utilized in terms of provision of infrastructure and creation of industries, employment generation will take place, income level of the citizens can increase and thus economic growth can be achieved and consequently lead to more developmental activities in place for the nation. The result of this study is in tandem with the findings of earlier studies such as Onyelle and Wokocha (2016) as well as Ogbonaya and Omodero (2017) reviewed. The study of Ogbonaya and Omodero (2017), that investigated the relationship between federation accounts and federal government retained revenue and on the Nigerian economic development when measured on GDP, provision of education and health care, showed that a strong positive relationship exists between internal revenue of federal government and economic GDP, Education and Healthcare however a gap exists amongst the variables which are explained as the corruption antecedents prevalent in the revenue authorities. That of Onyelle and Nwokocha (2016) revealed that sources of public funds such as federation account, independent revenue account and others when adequately utilized results in economic growth and development for Nigeria.

CONCLUSION, IMPLICATIONS AND RECOMMENDATION

The impact of government revenue on economic growth is significant one and thus indicates that government revenue especially the independent revenue of federal government is crucial aspect of government funding needed for economic growth objectives. In other words independent revenue of federal government has a positive and significant relationship with GDP.

Implications for Leaders

Government revenue when adequately utilized by leaders especially those at the helm of affairs in terms of provision of infrastructure, creation of employment through the construction of industries, thereby creation of goods and services, exportation would be achieved, income level of the citizens will likely increase and overall economic growth could be achieved which could in turn lead to increase in development of the nation. Where leaders are involved in mismanagement of government revenue, engaged in corruption and other anti-patriotic activities, economic growth and development would be undermined, poverty and the likes will continue to pervade Nigeria.

Recommendations

Based on the finding and conclusion the following recommendations are suggested:

- There is the need to advocate for increase in government revenue especially the independent revenue of federal government and judicious use of the revenue in order to foster economic growth. In other words, there is need to ensure that revenue leakages are reduced and prudent expenditure towards economic growth and development pursuits are maintained.

- Adequate use of government revenue for economic diversification, production of goods and services and job creation activities is needed now so that economic growth and faster growth rate could be witnessed.
- Furthermore, the positive effect of government revenue on economic growth could be witnessed also faster when corruption, evasion and tax avoidance are checkmated and offenders consequently punished and thus increase in government revenue base and judicious use of same for economic growth and development could be achieved

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