



Cross-Cultural Communication
Vol. 14, No. 4, 2018, pp. 60-68
DOI:10.3968/10631

ISSN 1712-8358[Print]
ISSN 1923-6700[Online]
www.cscanada.net
www.cscanada.org

Effects of Taxation as an Alternative to the Dwindling Oil Revenue in Nigeria

Ogunayo Femi Ogunsanwo^{[a],*}; John Ogunleye^[a]

^[a]Department of Finance, Faculty of Management Sciences, Ekiti State University, Ado-Ekiti, Nigeria.

*Corresponding author.

Received 20 September 2018; accepted 22 November 2018
Published online 26 December 2018

Abstract

The study investigated the effect of taxation as an alternative to the dwindling oil revenue in Nigeria for the period of 24 years covering 1994 to 2017; examine the effect of value added tax on economic growth in Nigeria; investigate the effect of petroleum profit tax on economic growth in Nigeria; determine the impact of company income tax on economic growth in Nigeria. The study employed Johansen cointegration and error correction model technique and specified real gross domestic product (RGDP) on petroleum profit tax (PPT), company income tax (CIT) and value added tax (VAT). The result of unit root test indicated that there is presence of stationarity among the variables at 2nd difference. The Johansen cointegration analysis indicated that there is a longrun relationship between tax variable and economic growth in Nigeria. However, the relationships between the variables were negatively related to economic growth in Nigeria. The ECM result was correctly signed and significant thereby incorporating the shortrun inconsistency in the model. However, the overparameterized error correction model result showed that the variables have short run association which effect can actually be felt in the long run. The result further showed that the short-run dynamics in the model has been corrected; giving the correctly signed and statistically significant ECM coefficient of about 48.73% increase. The result of parsimonious ECM showed that the ECM coefficients of the series is significant and correctly signed, thus validating the presence of long run relationship amidst the variables and that about 57.46% of the short run inconsistencies are corrected and incorporated into the long run dynamics,

annually. Based on the result of the longrun cointegration, the study concluded that taxation have negative effects on economic growth in Nigeria but can impact positively if government give possible attention to it thereby serving as an alternative to the dwindling oil revenue. The study therefore recommended that government should ensure that taxation is properly managed in a manner that will accelerate economic growth, reduce inflation rate and generate employment in the country. The study further suggested that government should diversify the economy from being solely oil dependent, to other streams of income generation such as agriculture, solid minerals and gas, otherwise the ripple effect of our over reliance on crude export to the USA, will be devastating to the economy.

Key words: Taxation; Revenue; Oil; Nigeria

Ogunsanwo, O. F., & Ogunleye, J. (2018). Effects of Taxation as an Alternative to the Dwindling Oil Revenue in Nigeria. *Cross-Cultural Communication*, 14(4), 60-68. Available from: <http://www.cscanada.net/index.php/ccc/article/view/10631>
DOI: <http://dx.doi.org/10.3968/10631>

INTRODUCTION

It is no longer news that Nigeria's "oil is depleting". Furthermore, the reduction in global oil prices and volume has in recent times made diversification of the Nigerian economy from over-dependence on oil a mandatory policy issue (Okeke, Chidi, & Okechukwu, 2017). Unfortunately, Oil Revenue dependence has essentially "milked the cow dry". Thus, the increasing cost of running government coupled with this dwindling revenue has left various tiers governments in Nigeria-Federal, State and Local Governments with the need to evolve strategies to improve their revenue base. Since the last four year, the near collapse of the national economy has created serious financial stress for all tiers of government but worst

affected are the states and local governments (Okeke, Chidi, & Eme, 2017).

Despite the numerous sources of revenue available to the various tiers of government which were specified clearly in the 1999 Constitution of the Federal Republic of Nigeria, it is awesome to note that since the 1970s till date, over 80% of the annual revenue of the three tiers of government came from petroleum as against what was obtainable in the 1960s when agriculture, mining and other sources of revenue account for the lion share of the regions' and by extension the nation's annual revenue (Elamah, 2015). The serious decline in the price of oil in recent years has consequently led to the decrease in the funds available for distribution to the states (Adesoji & Chike, 2013). Recent statistics showed that "most state governments generate only 15% of their revenue and depend on federal allocation for further sustenance. Unfortunately, this is no longer sustainable" (Balogun, 2015). With the 2015 general elections the new state governors without being prodded, now have to focus on planned strategies for a miraculous turn-around from oil dependence to self sustainability. There is no doubt that a deliberate plan to stop leakages, wastages and corrupt practices in the system is imperative but this will only make sense where the inflow is certain (Tapang, 2012). This therefore means that there is a greater need for the state governments to consider more alternatives for revenue generation through which they can enhance their internally generated revenue (Okeke, Chidi, & Eme, 2017).

Taxation is a means of generating revenue by government for the purpose of providing social services to the people. Taxation all over the world is a function of reciprocity (Okauru, 2014). While the government owes it as a duty to empower the citizens by providing jobs, infrastructure and other development projects, the citizens are usually expected to reciprocate by performing their own obligations, principal of which is payment of taxes. Revenue generated from citizen's taxes is usually recycled by the state (government) in the area of provision of basic amenities such as water, roads, electricity, schools, among others (Okauru, 2014).

Considering the present situation in Nigeria, governments at all levels have to raise the bar by embarking on an aggressive tax drive, considering the dwindling revenue profile arising from the fall in oil prices (Dike, 2015). Therefore, Nigerians have to come to terms with the present reality. Taxes come in various forms, ranging from personal income tax, value added tax and companies income tax, among others (Orji, 2013). To bridge the yawning gap in revenue accruals, there arose the need for government to embark on aggressive taxation which is the most recognized and plausible means of generating revenue for social services across the globe.

The Vanguard of December 15th, 2015 indicates that revenue accruable from value added tax from January

to June 2015 came to about N376 billion, but this figure has doubled since July till December. The reason of course can be attributed to the Federal Government's commitment towards diversification of revenue sources. With aggressive tax laws and enforcement, there is no doubt that Nigeria can withstand the shocks of the uncertainties in the oil market. What this means is that there will be more revenue available for the government to cater for the needs of the Nigeria people. This is the best time in our history for Nigerians to embrace the tax system. By this, Nigerians can be involved in the contributory social contract by paying their taxes regularly (Ibadin & Oladipupo, 2015).

Statement of the Problem

According to reports that Nigeria has lost its position as the lead supplier of oil to the United States of America, there is need for Nigerian government to diversify its revenue base through taxation as the alternative means of revenue generation in order to keep fit in the face of dwindling revenue from oil. However, there is need to harmonize the tax system and ensure collaboration between government tax agencies and professional tax institutes and consultants. Government needs to practically shift attention from oil to development of other revenue sources especially non-oil exports to support internally generate revenue from taxes. The reliability of the institutional framework for tax processing and enforcement must not be questionable to ensure sustainable development through taxation.

Considering the existing literature on the effect of taxation as an alternative to dwindling oil revenue in Nigeria, the researcher observed that some major factors such as inflation, inequalities in income, ability to meet proposed government budget and other variables have not been adequately considered. Most researches based their problems on the negligence of tax payers such as tax avoidance, tax evasion, and also on irregularities in government practice such as misappropriation of funds and other common misconducts. However, to the best of the researcher's knowledge, there is need to check macro-economic tax variables as an alternative to the dwindling oil revenue in Nigeria. More so, the researcher discovered that most of the studies conducted on the subject matter employed the use of questionnaire as an instrument for their studies while there is little contribution on secondary data. Based on the aforementioned, the study would be employing the use macro-economic variables as such as Real Gross Domestic Product (RGDP), VAT, PPT and CIT for the year covering 1994 to 2017 so as to measure the relationship existing between the dependent and independent variables. The broad objective of the study is to identify the effect of taxation as an alternative to the dwindling oil revenue in Nigeria. Other specific objectives are to; examine the effect of value added tax on economic growth in Nigeria; investigate the effect of petroleum

profit tax on economic growth in Nigeria; determine the impact of company income tax on economic growth in Nigeria.

1. LITERATURE REVIEW

Davide and Georgios (2013) investigated the effects of changes in taxes on economic growth using annual data from 1965 to 2007 for a panel of twenty-six economies, the results showed that the effect of an increase in taxes on real GDP per capita is negative and persistent. An increase in the total tax rate by 1% of GDP has a long run effect on real GDP per capita of -0.5% to 1%. Ahmad and Selah (2015) investigated the short-run and long-run relationships between three main macroeconomic variables in Oman using the Johansen multivariate cointegration techniques as well as the stationary VAR for the period between 1971 and 2013. The results indicate that there is a long-run relationship between these three macroeconomic variables; the real GDP, the real government expenditure and the real oil revenues. The estimated coefficients for the real oil revenues and the real government expenditure are correctly signed and statistically significant at 5% level. Both variables depict positive relationship with GDP which are 0.672 and 0.872 respectively. The impulse response functions and the variance decomposition from the stationary VAR show that these variables are very important to the short-run dynamics of the Omani economy. Overall, government expenditure appears to be the main source for economic growth in long-run, and in short run variations in government expenditure are generally derived by oil revenue shocks.

Arnelyn (2014) carried out an empirical examination of the relationship between fiscal policy and economic growth in developing Asian countries. The study noted that in comparison to advanced economies, the region's overall level of taxes and government spending as having significant as having significant effect on economic growth. Property taxes were found to exert more benign impact on economic growth than direct while spending on education has a sizable positive impact on economic growth. Benanaya (2014) employed the dynamic panel data analysis to examine the impact of fiscal policy on economic growth of MENA countries. Results of the study showed a long run relationship between fiscal policy and economic growth. Correlation pattern between GDP and budgetary revenue revealed the presence of positive causality between economic growth and fiscal revenues. Effects of taxation were difficult to isolate empirically.

Ude and Agodi (2013) employed the cointegration methodology alongside error correction mechanism to investigate the impact of non-oil revenue on economic growth in Nigeria. They employed annual observations from 1980 to 2013. The non-oil revenue variables analyzed were agricultural revenue and manufacturing

revenue. The results showed that agricultural revenue, manufacturing revenue and interest rate have significant impact on economic growth in Nigeria. They concluded that non-oil revenue has the potential to unlock the economy of Nigeria. Aregbeyen and Kolawole (2015) examined the relationships among oil revenue, government spending, and economic growth in Nigeria over the period from 1980 to 2012. Time series data were analyzed using econometric techniques which included Ordinary Least Square (OLS), cointegration, Vector Error Correction Model (VECM), and Granger causality to determine the direction of causality and the magnitude of impacts of the variables. Findings from the analysis revealed that oil revenue Granger caused both of total government spending and growth, while there was no-causality between government spending and growth in the country. Okezie and Azubuike (2016) evaluated the contribution of non-oil revenue to government revenue and economic growth in Nigeria from 1980 to 2014. The data sourced from CBN statistical bulletin was analyzed using the Ordinary Least Squares Regression. The result revealed a positive and significant contribution of non-oil revenue to economic growth and positive but slightly insignificant contribution to government revenue. The study recommended that efforts should be intensified by the government mostly at the Federal level in bringing to fruition the diversification of the nation's productive sector judging from the great potentials and capacity of the non-oil sector in enhancing revenue and economic growth.

Eugene (2016) examined the long and short run relationship between public expenditure and economic growth in Nigeria over the period of 1986-2014, using Johansen cointegration and error correction approach. Two components of public sector expenditure and gross capital formation ratio are derived from Cobb Douglas production function. The result showed recurrent expenditure is the major driver of economic growth in Nigeria. Controlling for the influence of non-oil revenue, this study shows a negative and significant long run relationship between economic growth (rgdpc) and recurrent expenditure coexists with a positive short run relationship, highlighting the dual effects of recurrent expenditure on economic growth in Nigeria. For the capital expenditure, this study documents negative and significant long run effect of capital expenditure on economic growth in Nigeria. The variance decomposition confirms the collective contribution of public expenditure on economic growth. The finding of this study have some policy implications for policyholders because it could be guide on effective utilization of public funds on rightful projects rather than spending it on enormous projects that will not translate into meaningful growth of the economy.

Olaoye (2009), Adereti, Adesina and Sanni (2011), Adegbe and Fakile (2011), Owolabi and Okwu (2011) examined the contribution of various forms of tax such

as VAT, CIT on Nigerian economic development. Their study considered a vector of development indicators as dependent variables and regressed each on VAT revenue proceeds to Lagos state for the study period. Development aspects considered included infrastructural development, environmental management, education sector development, youth and social development, agricultural sector development, health sector development and transportation sector development. Their study showed that a positive correlation between VAT and GDP, also, that there is a significant relationship between company income tax and Nigeria economic development.

Worlu and Emeka (2012) examined tax revenue and economic development in Nigeria using the three stage least square estimation technique, this study found that tax revenue stimulate economic growth through infrastructural development, it highlight the channels through which tax revenue impacts on economic growth in Nigeria and also that tax revenue has no dependent effect on growth through infrastructural development and foreign direct investment but just allowing the infrastructural development and foreign direct investment to positively respond to the increase in output. Nwakanma and Nnamdi (2013) examined the taxation and national development employing the least square technique and specification on the lin-log model of human development index. Their findings revealed that Petroleum Profits Tax, Company Income Tax and Excise Tax respectively exhibit a positive relationship with the level of national development, and a negative relationship between human development index and corporate tax. Ihenyen and Mieseigha (2014) examined taxation as an instrument of economic growth in Nigeria. They employed the Ordinary Least Square technique to reveal that there is tantalizing evidence that taxation is an instrument of economic growth in Nigeria. It further asserted that there is a link among corporate income tax, value added tax and economic growth. Otu and Theophilus (2014) investigated the effects of tax revenue on Economic growth in Nigeria cover the period from 1970-2011. The study employed the Ordinary Least Square technique regression technique and established that tax revenue has a positive effect on economic growth in Nigeria. The result also shows that domestic investment, labor force and foreign direct investment have positive and significant effect on economic growth in Nigeria.

Onwuchekwa and Aruwa (2014) investigated the impact of value added tax (VAT) on the economic growth of Nigeria. They employed the Ordinary Least Square technique to test the hypothesis formulated. The result showed that VAT contributed significantly to the total tax revenue of government and by extension, the economic growth of Nigeria. It was also observed that VAT revenue growth had a consistent, although not explosive, increase. Ayuba (2014) analyzed the impact of non-oiltax revenue on economic growth from 1993 to 2012 in Nigeria. The data sourced from the 2012 statistical bulletin of the

Central Bank of Nigeria (CBN), were analyzed using the ordinary least square regression technique. The results showed the existence of a positive relationship and impact of non-oil tax revenue on the economic growth in Nigeria.

Salami, Apelogun, Omidiya and Ojoye (2015), empirically investigated the impact of taxation on the growth of the Nigerian economy from 1976-2006. The study employed the use of both simple and multiple linear regression analysis of the ordinary least square method to determine the impact between the endogenous variable, RGDP, and the exogenous variables, PPT, CIT, CED and VAT. It was discovered that all exogenous variables, including CED, had a significant impact on the economy of the nation.

2. RESEARCH METHOD

2.1 Model Specification and Technique of Data Analysis

In order to lend empiricism to this study, the study utilized secondary annual time series data from statistical bulletin central bank of Nigeria [CBN] from 1994-2017 and employed the use of Johansen cointegration regression analysis.

The functional relationship between taxation variables and economic growth of Nigeria is expressed thus:

$$GDP = f(VAT, PPT, CIT)$$

Putting in mathematical form, we have:

$$GDP = a_0 + a_1VAT + a_2PPT + a_3CIT + u$$

Where:

GDP = Gross Domestic Product

PPT = Petroleum Profit Tax

CIT = Company Income Tax

VAT = Value Added Tax

$a_1 - a_3$ = Parameters to be estimated

u = Stochastic error

2.2 Estimation Techniques

Cointegration regression technique will be employed to estimated the parameters of the model. To avoid spurious regression results due to the nature of the data which is time series, a unit root test using Augmented Dickey Fuller (ADF) test will be carried out to establish the stationarity or short run stability of the variables before proceeding to the test of Cointegration. If all the variables are stationary at order 1 or first difference, it will employ Johansen cointegration but if there is a mixed level of stationarity I(0) and I(1) ARDL will therefore be employed.

3. RESULTS AND DISCUSSION

This chapter presents the analysis of data gathered for the purpose of this study. It begins with the descriptive statistics test followed by the interpretation and discussion of empirical results. The data for this research work are

presented explicitly in the appendix.

3.1 Unit Root Test

The unit root test was carried out to determine the stationary state i.e. time series properties of the variables. It shows the order of integration of each of the variables and whether or not there is presence of stochastic trend. Testing for the existence of unit roots is of major interest in the study of time series models and co-integration. The presence of a unit root implies that the time series under investigation is non-stationary; while the absence of a unit root show that the stochastic process is stationary (Iyoha and Ekanem, 2002). The time series behaviour of each of the series using both the Augmented Dickey-Fuller (ADF)

tests of unit root is presented in the table.

3.2 Unit Root Models

The Unit Root models are presented below;

$$\Delta Y_t = \beta_1 + \delta Y_{t-1} + \sum_{\tau=1}^m \alpha_\tau \Delta Y_{t-\tau} + \varepsilon_t \text{ (with intercept)}$$

$$\Delta Y_t = \beta_1 + \beta_2 t + \delta Y_{t-1} + \sum_{\tau=1}^m \alpha_\tau \Delta Y_{t-\tau} + \varepsilon_t \text{ (with trend and intercept)}$$

3.3 Unit Root Hypothesis

H_0 : There is a unit root

H_1 : There is no unit root

Table 1

ADF Unit Root Test Results at Second Difference

Variables	ADF Test Statistics	Critical Value	Order of Integration	Remarks
RGDP	-4.543688	-3.673616	I(2) **	Stationary
PPT	-5.045908	-3.658446	I(2) **	Stationary
CIT	-5.430304	-3.658446	I(2) **	Stationary
VAT	-4.453728	-3.644963	I(2) **	Stationary

Source: Author's Computation, (2018)

Note: *(**) denotes acceptance at 1&5 percent level of significant

The above table (i.e., Table 1) showed the time series performance of the variables using the ADF Unit Root Test Statistics. From table 1 revealed that all the variables were stationary at 5% level and integrated of the order I(2).

The confirmation of the presence of non-stationary variables in the series, which brings to book the possibility of spurious relationship in the short run due to the presence of random walk, and the fact that they are integrated of the same order after differencing, suggest that long run association test should be carried out, to test for the presence of co-integrating equation amidst the multivariate series in the long run. The co-integration test was done using Johansen maximum likelihood ratio approach.

3.4 Johansen Co-Integration Test

It has been shown from the unit root test above that most of the time series are non-stationary series that only become stationary after differencing. Confirmation of the presence of non-stationary series suggests bogus relationship in the short-run because of the stochastic possessed by these non-stationary series. However, they cannot generate an equilibrium relationship in the short-run; they can only do so in the long-run if they co-integrate.

Therefore, Johansen Co-integration test is carried out to test for the presence of co-integrating equation of the multivariate series in the long-run. In the Johansen Co-integration test, the Trace Statistics and Max-Eigen Statistics is compared with 5% and 1% critical values in order to determine the number of co-integrating vectors in the model.

3.5 Johansen Co-Integration Test Results

Table 2

**Trace Statistics Result
Series: RGDP, PPT, CIT VAT**

Hypothesized		Trace	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.960838	119.3342	63.87610	0.0000
At most 1 *	0.708593	48.05291	42.91525	0.0141
At most 2	0.416809	20.92614	25.87211	0.1826
At most 3	0.337641	9.062835	12.51798	0.1765

Trace test indicates 2 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: Author's Computation (2018)

Table 3
Max-Eigen Value Statistics Result
Series: RGDP, PPT, CIT VAT

Hypothesized		Trace	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.960838	71.28133	32.11832	0.0000
At most 1 *	0.708593	27.12676	25.82321	0.0335
At most 2	0.416809	11.86331	19.38704	0.4280
At most 3	0.337641	9.062835	12.51798	0.1765

Trace test indicates 2 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: Author's Computation, (2018)

Table 4
Normalized Cointegrating Coefficients
Series: RGDP, PPT, CIT VAT

1 Cointegrating Equation(s):		Log likelihood	-540.9250	
Normalized cointegrating coefficients (standard error in parentheses)				
RGDP	PPT	CIT	VAT	@TREND(95)
1.000000	-13.45176 (1.08596)	-43.28198 (8.96974)	-41.64922 (4.52041)	618.4755 (389.446)

Source: Author's Computation, (2018)

Table 2 and Table 3 showed the unrestricted cointegration rank test in which the former table showed the Trace Statistics test while the latter showed the Max-Eigen Statistics test. However, Table 2 revealed that Trace test indicated 2 cointegrating equations at 5% level of significance also table 3 revealed that the Max-Eigen value test indicated 2 cointegrating equations at 5% level of significance.

Moreover, Table 4 indicated the long-run cointegration equation among the variables in the model. From the table, it can be observed that all the variables depict negative relationship with the dependent variable in the

longrun. This result is in contrast with the economic *a priori* expectation of positive relationship. Hence, a unit change in the level of petroleum profit tax, company income tax and value added tax will increase the output of economic growth by 13%, 43% and 41% respectively.

3.6 Error Correction Mechanism (ECM)

Having identified the co-integrating vector using the Johansen Cointegration Test, we proceed to investigate the dynamics of the model. The Error Correction Mechanism (ECM) intends to validate the presence of long-run relationship and incorporate the short-run dynamics into the long-run equilibrium relationship.

3.7 Parsimonious Error Correction Model

Table 5
Parsimonious Error Correction Model Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	323.5773	564.1632	0.573553	0.5742
RGDP(-1)	-0.006200	0.013059	-0.474815	0.6413
D(PPT,2)	0.781645	0.363701	2.149142	0.0473
D(CIT,2)	3.045012	0.932394	3.265798	0.0049
D(VAT,2)	9.581446	6.152372	1.557358	0.1389
ECM(-1)	-0.574639	0.187268	-3.068537	0.0073
R-squared	0.529067			
Adjusted R-squared	0.381901			
Durbin-Watson stat	2.244268			
F-statistic	3.595026			
Prob(F-statistic)	0.022730			

Source: Author's Computation, (2018)

The results of the parsimonious error correction model as presented in table 5 above shows the coefficient of the parameters estimated, alongside with the standard errors, t-values and the probability values used in conducting

diagnostic test to verify the stability and predictive accuracy of the series. The result revealed that there existed pronounced feed-back of the previous period disequilibria, from the long-run trends of the series. Specifically, the results indicated feed-backs of about

57.46 percent, from the previous period disequilibria between the present and past values of variables. The result showed that the ECM coefficients of the series is significant and correctly signed, thus validating the presence of long run relationship amidst the variables and that about 57.46% of the short run inconsistencies are corrected and incorporated into the long run dynamics, annually.

In the parsimonious ECM result, the study indicated that petroleum profit tax (PPT,₂) and company income tax (CIT,₂) are positive and statistically significant at 0.05% level of significance. This thus implies that 1% change in petroleum profit tax and company income tax will significantly affect economic growth by 7.8% and 30.4% respectively. Also, value added tax (VAT, 2) is positive but with an insignificant effects on economic growth which implies that a percentage change in VAT will spur economic growth by 95.8%. This result is therefore in alignment with the expected *apriori* result which should be positively related.

The result also showed that the overall model is significant, given the f-statistics probability value of 3.595026. This implies that the R-square value of 0.53% is significantly different from zero. Thus the series is a good-fit. The Durbin Watson Statistics of 2.244268 revealed that there is presence of no serial auto-correlation between successive error terms. Hence, the result is not biased and can be used for policy formulation.

3.8 Discussion and Economic Implication of Findings

This study is empirically aimed at examining effects of taxation as an alternative to the dwindling oil revenue in Nigeria using a time series data spanning from 1994 through 2017. The study employed the Ordinary least square, Johansen Multivariate Co-integration and Error correction model techniques to ascertain the short and long run effect of some macro-economic variables (petroleum profit tax, company income tax and value added tax) behavior and the response of such behavior by the real sector economic proxy used in this study; (Real gross domestic growth). The unit root test indicated that there is presence of stationarity in test which signified that all the variables became significant after differencing at the second difference. The ordinary least square result explored significant positive effects on real gross domestic product which connoted that all the tax variables are essential as a source of alternative to the dwindling oil revenue in Nigeria.

The co-integration result reveals that there is a long run association between the variables. This is evident from the co-integration result where we have 2 co-integrating equation at 5% level of significance. The longrun cointegration revealed that all the tax variables posed negative effects on economic growth. However, the overparameterized error correction model result showed that the variables have short run association which effect

can actually be felt in the long run. The result further showed that the short-run dynamics in the model has been corrected; giving the correctly signed and statistically significant ECM coefficient of about 48.73% increase.

From the parsimonious ECM result, the result showed that the ECM coefficients of the series is significant and correctly signed, thus validating the presence of long run relationship amidst the variables and that about 57.46% of the short run inconsistencies are corrected and incorporated into the long run dynamics, annually. It is evident that; petroleum profit tax, company income tax and value added tax have greater influence in determining the effect of taxation as an alternative to the dwindling oil revenue in Nigeria.

The economic implication of the study of the negative result from the normalized cointegration coefficient is that Nigeria solely depends on oil revenue which happens to be dwindling day after day, the government has not made judicious use of taxation as an alternative to the dwindling oil revenue. Government need not to shift totally from oil revenue but look outside oil revenue to other non-oil revenue components such as taxes on petroleum, company income taxes, personal income taxes, custom duties, educational taxes, fines etc which could serve as a strategy or bailout from any inconsistencies that may arise from oil revenue. Though, the government of the day emphasizes on taxes to fund its capital budget and has been up to it but much is still expected of them. However, corruption in government parastatals could be a cogent reason why the effect of taxation on economic growth remained unannounced or felt.

Therefore, to ensure sustainable economic development, generated tax revenue must be sufficient, efficiently and judiciously utilized. The government should pay attention to encouraging her citizens to build trust in it by tax accountability, ensuring that the promises made to the citizens are highly delivered. It should also ensure that the tax system is very transparent and the proceeds from taxes used honestly for the betterment of the citizens. Provision of facilities that will ensure the comfortable existence of necessary amenities for the well-being of the majority of citizens of the state must not be treated with levity. If individuals and companies have no safe drinking water, no good road network, improved healthcare system and educational system, and have to live in perpetual fear, why would they be willing to pay tax. The citizens must feel the impact of development so as to pay tax voluntarily. On the whole, taxation will serve as an alternative to dwindling oil revenue in Nigeria and will increase the economic capacity of Nigeria if increase government taxes revenue which will be used to build facilities, infrastructures, creation of public goods and provision of employment opportunities for the betterment of Nigerians and will positively have an impact on the economic growth rate.

The federal government should prudently manage the financial resources generated from taxes and also reduce drastically municipal waste of funds. Practical application of tax revenue to solving problems surrounding welfare of the citizens' will results into more generation of tax revenue.

CONCLUSION

The estimated result emanating from the analysis and discussion section of this study indicated that the variables considered in the model are stationary and have long run co-movement. The study specifically showed that on the longrun, petroleum profit tax, company income tax and value added tax negatively affects the economy of Nigeria. This implies that up until now, Nigeria still rely heavily on returns from oil sector. Therefore this research concludes that in the longrun taxation in Nigeria have not significantly impacted on economic growth and as such can impact positively if government give possible attention to taxation which could serve as an alternative to the dwindling oil revenue. This research is consistence with the study of Mertens and Ravn (2012); Arnold, Brys, Head, Johansson, Schweltnus and Vartia (2011); Chigbu and Njoku (2015) who concluded that taxation has not significantly benefited the economic growth in Nigeria.

RECOMMENDATIONS

It is also imperatives for government to diversify the economy from being solely oil dependent, to other streams of income generation such as agriculture, solid minerals and gas, otherwise the ripple effect of our over reliance on crude export to the USA, will be devastating to the economy.

Government should ensure that taxation is properly managed in a manner that will accelerate economic growth, reduce inflation rate and generate employment in the country.

Nigeria government should make it a point to restructure the tax system to meet the demands of the 21st century.

Amidst the benefit of taxes which include but not limited to adequate provision of infrastructures and basic amenities like: electricity good water good roads etc., it will enhance people's compliance in tax payment.

EXPECTED CONTRIBUTION TO KNOWLEDGE

Owing to the revelation that there is dearth of studies on the effects of taxation as an alternative to dwindling oil revenue in Nigeria, this study will undoubtedly, establish whether or not taxation contribute significantly to the development of economic growth in Nigeria and

contribute to the body of knowledge needed globally. It will provide materials for potential scholars on the on the subject in both short and long runs.

REFERENCES

- Adegbie, F. F., & Fakile, A.S. (2011). Petroleum profit tax and Nigeria economic development. *International Journal of Research in computer Application and Management*, 1(1), 11-18.
- Adereti, S. A., Adesina, J. A. & Sanni, M. R. (2011). Value added tax and economic growth in Nigeria. *European Journal of Humanities and Social Sciences*, 10(1),456-471.
- Adesoji, A. A., & Chike, F. O. (2013). The effect of internal revenue generation on infrastructural development: A study of Lagos State Internal Revenue Service. *Journal of Educational and Social Research*, 3(2), 419-436.
- Arnold, J. M., Brys, B., Heady, C., Johansson, A., Schweltnus, C., & Vartia, L. (2011). Tax policy for economic recovery and growth. *Economic Journal*, 121 (550), 59-80.
- Balogun, A. (2015). Developing internally generated revenue in an era of Diversification?, (<http://www.vanguardngr.com/wpcontent/uploads/2011/02/TAX-jpg>). Retrieved 4.47pm 10/27/2015.
- Chigbu, E. E., & Njoku, C. O. (2015). Taxation and the Nigerian economy: (1994-2012). *Management Studies and Economic Systems (MSES)*, 2 (2), 111-128.
- Davide, P., & Georgios, Z. (2013). The rise of the sharing economy: Estimating the impact of Airbnb on the hotel industry. *Journal of Marketing Research*.
- Dike M. A. C (2015). An overview of the Nigerian tax system and the taxes payable by individuals and corporate bodies.
- Elamah, O. (2015). Enhancing internally generated revenue in Edo State: Issues, prospects and challenges. *The Nigerian Observer*. Monday October 26.
- Eugene, I. (2016). The contribution of government expenditure on economic growth of Nigeria disaggregated approach. *International Journal of Economics & Management Sciences*, 5(5), 1-8.
- Ibadin, P. O., & Oladipupo, A. O. (2015). Indirect taxes and economic growth in Nigeria. *Ekon. Misao Praksa DBK. God XXIV(2)*, 345-364.
- Ihenyen, C. J., & Mieseigba, E.G. (2014). Taxation as an instrument of economic growth. The Nigerian perspective, *Information and Knowledge Management*, 4(12), 49-53.
- Mertens, K., & Ravn, M. (2012). The dynamic effects of personal and corporate income tax changes in the United States. *American Economic Review*, 103 (4), 1212-1247.
- Nwakanma, P. C., & Nnamdi, K. C. (2013). Taxation and national development, *Research Journal of Finance and Accounting*, 4(19), 176-180.
- Okauru, I. O. (2014). Tax incentives for foreign investors in Nigeria at The Nigeria Investors Business Forum in Berne Switzerland.
- Okeke, M. I., Chidi, M., & Eme, O. I. (2017). Enhancing internally generated revenue: Issues, strategies, foresight

- & insights. *Specialty Journal of Humanities and Cultural Science*, 2 (1), 1-22.
- Okezie, S. O., & Azubike, J. U. (2016). Evaluation of the contribution of non-oil revenue to government revenue and economic growth: Evidence from Nigeria. *Journal of Accounting and Financial Management*, 2(5), 41-51.
- Olaoye, C. O. (2009). A review of value added tax (VAT). *International Business Management*, 3(4), 61-68.
- Orji, T. A. (2013). Abia State introduces new method to improve internal revenue. *Business News*, April 11. P.25.
- Otu, H. B., & Theophilus, O. A. (2014). The effects of tax revenue on economic growth in Nigeria, 1970-2011, *International Journal of Humanities and Social Science Inventions*. 2(6), 16-26.
- Owolabi, S. A., & Okwu, A. T. (2011). *Empirical evaluation of contribution of value added tax to development of Lagos State Economy, Middle Eastern Finance and Economics*. Euro Journals Publishing.
- Salami, G. O., Apelogun, K. H., & Ojoye, O. F. (2015). Taxation and Nigerian economic growth process. *Research Journal of Finance and Accounting*, 6(10), 93-101.
- Tapang, A.T., (2012), "The Impact of revenue base on local government social assets in cross river state Nigeria: 1996-2010. *International Journal of Physical and Social Sciences*, 2(3), 152-169.
- Ude, D. K. & Agodi, J. E. (2014), Investigation of the impact of non-oil revenue on economic growth in Nigeria, *International Journal of Science and Research*, 3(11),45-58.
- Worlu, C. N., & Emeka, N. (2012). Tax revenue and economic development in Nigeria: A macro-econometric approach. *Academic Journal of Interdisciplinary Studies*, 1(2), 211-223.