International Journal of Multidisciplinary Research and Bulletin
Volume 4 Issue 1 (Jan – Feb) 2025

EFFECT OF NON-OIL REVENUE ON ECONOMIC GROWTH OF NIGERIA

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Article Publication Details

This article is published in the **International Journal of Multidisciplinary Research and Bulletin**, ISSN 3108-1428 (Online) Volume 4 Issue 1 (Jan – Feb) 2025.

ABSTRACT

This study investigates the effect of non-oil revenue on economic growth in Nigeria, focusing on tax revenue, fees, fines, and government investment returns from 1990 to 2024. Recognizing the country's heavy reliance on oil revenue and its associated vulnerability to price fluctuations, the research emphasizes the need for fiscal diversification to sustain economic growth. Using a comprehensive methodological framework, the study employs descriptive statistics to summarize trends and variability in the data, correlation analysis to examine the relationships among non-oil revenue components and real GDP, and unit root tests (ADF and Phillips–Perron) to establish stationarity properties. Cointegration analysis is conducted to determine the presence of long-run equilibrium relationships, and the Vector Error Correction Model (VECM) is applied to capture both short-term dynamics and long-term adjustments. The results indicate that tax revenue has the strongest and most consistent positive impact on economic growth, while fees and fines contribute moderately, and government investment returns exhibit delayed but significant effects over the long term. The error correction term confirms that deviations from long-run equilibrium are gradually corrected, highlighting the resilience of non-oil revenue channels in stabilizing output. The study further finds that efficient revenue administration, compliance enforcement, and prudent management of state-owned enterprises enhance the growth effects of non-oil revenue. The findings underscore the importance of broadening the non-oil revenue base, improving collection mechanisms, and reinvesting public earnings into productive sectors to reduce dependence on oil and promote sustainable economic growth. The study contributes to policy formulation by providing evidence-based insights into the role of fiscal diversification in Nigeria's macroeconomic stability.

Keywords: Non-oil revenue, tax revenue, fees charges and fines, government investment returns, real GDP

INTRODUCTION

Nigeria's economic growth has historically been heavily dependent on crude oil revenues, a structure that shaped public spending patterns and exposed the economy to significant vulnerability from external shocks, particularly fluctuations in global energy markets (Iyoha, 2024; Adeniran, 2025). While periods of oil price booms have often coincided with expanded government activity and higher output, reliance on oil has limited fiscal stability and constrained consistent economic development. In response, policymakers have increasingly emphasized domestic revenue mobilization as a more sustainable foundation for financing growth and stabilizing real output, especially given rising development financing needs (Omodero, 2024). Internally generated revenue, particularly from taxes on income and consumption, has played a central role in financing public investments that enhance productivity, create employment, and stimulate aggregate demand (Adegboye, 2023). Complementing these core streams, revenue from administrative services, regulatory processes, statutory charges, and returns on government participation in commercial enterprises has strengthened fiscal flexibility, reduced dependence on borrowing, and supported consistent public expenditure across sectors (Egbunike, 2022; Udeh, 2022). The interaction between these diversified revenue sources and economic performance highlights the importance of fiscal structure in shaping sustainable growth outcomes, particularly in developing economies navigating structural transformation and increasing development pressures (Bakare, 2021; Nwankwo, 2020; Eze & Lawal, 2025).

Despite these efforts, Nigeria's growth trajectory continues to reflect structural weaknesses in revenue generation. Government revenue remains volatile, with non-oil sources insufficiently compensating for declining oil receipts, limiting consistent investment in growth-enhancing sectors and resulting in interrupted capital projects and uneven output expansion (Adeniran, 2025). Furthermore, inefficiencies in tax administration, weak compliance, and leakages reduce the productivity of non-oil revenue streams, undermining their potential as reliable engines of growth (Iyoha, 2024). Even when mobilized, these revenues are often allocated toward recurrent expenditures rather than capital investment, constraining their long-term impact on output, industrial development, and human capital formation (Omodero, 2024). These challenges underscore the critical need for empirical analysis of how different non-oil revenue components influence Nigeria's real economic growth, offering insights for policymakers on optimizing fiscal resources to achieve stable and sustainable economic expansion. The broad objective of this study

is to examine the effect of non-oil revenue on the Nigerian economy. The specific objectives of the study are to:

1. Assess the effect of tax revenue on real gross domestic product in Nigeria;
2. Examine the effect of fees, charges, and fines on real gross domestic product in Nigeria;
3. Evaluate the effect of government investment revenue on real gross domestic product in Nigeria.

Research Hypotheses

The following null hypotheses are formulated for the study:

H_{01}: Tax revenue has no significant effect on real gross domestic product in Nigeria.

H_{02}: Fees, charges, and fines have no significant effect on real gross domestic product in Nigeria.

H_{03}: Government investment revenue has no significant effect on real gross domestic product in Nigeria.

LITERATURE REVIEW

Conceptual Framework

Non-oil revenue: Non-oil revenue refers to government income generated from sources other than crude oil and gas and constitutes a critical pillar of fiscal capacity in economies seeking sustainable growth and reduced exposure to external shocks. In public finance literature, it is widely regarded as the foundation of resilient fiscal management, particularly in resource-dependent economies where oil revenues are volatile and unpredictable (Akinwale, 2025). Unlike oil revenue, non-oil revenue is closely linked to domestic economic activity, institutional efficiency, and policy effectiveness, making it a more stable and sustainable source of public finance. It reflects the government's ability to mobilize internal resources and align fiscal outcomes with the productive performance of the economy. Non-oil revenue typically comprises tax revenue, administrative receipts such as fees, charges, and fines, and income from government-owned assets. Among these components, tax revenue remains dominant, directly linking public finance to income generation, consumption, and investment. An efficient tax system enhances equity, accountability, and the government's capacity to finance infrastructure and social services (Salami, 2024). Administrative revenues from regulatory and service-related functions complement tax revenue by promoting cost recovery and fiscal discipline (Abubakar, 2023). Returns from government investments, including dividends from state-owned enterprises and income from public financial assets, reflect the state's participation in productive activities and capital formation (Lawson, 2023). From a macroeconomic perspective, non-oil revenue stabilizes fiscal operations by reducing reliance on volatile commodity earnings and excessive borrowing. Diversified revenue sources improve fiscal planning and

strengthen countercyclical policy responses during downturns (Ogunleye, 2021). In Nigeria, ongoing fiscal reforms aimed at expanding the non-oil revenue base underscore its importance for economic diversification, structural transformation, and long-term inclusive growth.

Tax Revenue: Tax revenue represents compulsory levies imposed on individuals and corporate entities to finance public expenditure and remains the most structured and significant component of non-oil revenue in many developing economies, including Nigeria. In fiscal theory, tax revenue is widely regarded as the backbone of sustainable government finance because it is directly linked to domestic economic activity and income generation (Afolayan, 2025). Taxes on income, profits, goods, and services enable governments to mobilize resources in line with the productive capacity of the economy, ensuring that revenue performance improves alongside economic expansion. Beyond revenue mobilization, taxation performs a critical governance role by strengthening accountability and reinforcing the social contract between the state and citizens. As Olatunji (2024) notes, effective taxation promotes transparency, as taxpayers increasingly demand improved service delivery in return for compliance. In Nigeria, tax revenue has become essential for financing both recurrent and capital expenditure, particularly during periods of oil revenue shortfalls. Major taxes such as company income tax, personal income tax, and value-added tax now account for a substantial share of government revenue. Recent reforms in tax administration and digitalization have enhanced revenue yield, although challenges related to informality and compliance remain (Danladi, 2023). Tax revenue also influences consumption and investment behavior through its regulatory function. Well-designed tax policies can encourage productive investment and inclusive growth. However, narrow tax bases and weak enforcement limit revenue potential, especially in economies with large informal sectors (Kehinde (2022); Sadiq, (2021). Broadening the tax base and improving compliance are therefore vital for maximizing tax revenue's contribution to macroeconomic stability and long-term growth.

Fees, Charges, and Fines: Fees, charges, and fines constitute an important component of non-oil revenue derived from government administrative, regulatory, and enforcement activities. Unlike taxes, these revenues are linked to specific services rendered or penalties imposed for non-compliance with laws and regulations. Balogun (2025) describes this category as a cost-recovery mechanism that enables governments to finance public services without placing excessive tax burdens on citizens. In Nigeria, such revenues arise from licenses, permits, court fines, customs documentation, and regulatory services provided by government agencies. Although fees, charges, and fines account for a smaller share of total government revenue compared to taxes, their relative predictability makes them useful for financing recurrent expenditure (Ahmed, 2024). By requiring users to bear part of service costs, these revenues promote efficiency and reduce waste and overutilization. Fines also serve a deterrent role by reinforcing

compliance with legal and regulatory frameworks and supporting orderly economic activity. The effectiveness of this revenue source in developing economies depends largely on institutional capacity and governance quality. Weak administrative systems, poor enforcement, and revenue leakages often limit its growth potential (Okafor, (2023); Musa, (2022). However, reforms focused on automation, transparency, and strengthened regulatory oversight have improved collection outcomes in recent years. From a broader perspective, revenues from fees, charges, and fines support effective regulation and service delivery, enhance investor confidence, and ease pressure on tax revenue and public borrowing, thereby contributing to macroeconomic stability and sustainable growth.

Government Investment Revenue: Government investment revenue refers to income earned from the state's ownership or participation in commercial enterprises, including dividends from public investments and returns on financial assets. This component of non-oil revenue reflects the government's role not only as a regulator but also as an active participant in productive economic activities. Ezeani (2025) describes government investment revenue as a strategic instrument for mobilizing resources while promoting capital formation and economic development. In Nigeria, such revenues are derived from state-owned enterprises, joint ventures, interest on public funds, and dividends from equity holdings. Unlike tax and administrative revenues, government investment revenue is closely linked to the performance of public enterprises and the efficiency of asset management. Well-managed public investments can generate stable income streams that complement traditional revenue sources and reduce fiscal pressure (Garba, 2024). These earnings may be reinvested in infrastructure, industrial development, and social services, thereby supporting economic growth. However, inefficiencies, mismanagement, and political interference have historically limited the revenue potential of public investments in many developing economies. Weak oversight and poor corporate governance in state-owned enterprises often result in low profitability and minimal fiscal contributions (Nnamdi, 2023). Conversely, reforms such as commercialization, privatization, and performance-based monitoring have improved returns in some sectors. From a macroeconomic perspective, government investment revenue provides relatively stable income, enhances fiscal resilience, and supports countercyclical policy implementation (Adesina, 2022), aligning with Nigeria's objectives of economic diversification and sustainable long-term growth.

Real Gross Domestic Product: Real Gross Domestic Product (real GDP) is the most widely used measure of economic performance, representing the inflation-adjusted value of all final goods and services produced within an economy over a given period. By accounting for price changes, real GDP provides a more accurate measure of productive capacity than nominal GDP (Ojo, 2025) and allows meaningful comparisons of economic performance over time, serving as a key indicator of expansion, contraction, and macroeconomic stability. Real GDP reflects aggregate production across major sectors

such as agriculture, industry, and services, capturing shifts in sectoral productivity, resource allocation, and economic structure (Mustapha, 2024). Sustained growth in real GDP is typically associated with higher income levels, improved living standards, and increased employment opportunities. For policymakers, it provides a benchmark for evaluating fiscal and monetary policy effectiveness and setting development targets. In developing economies, real GDP is particularly important as it removes inflationary distortions that can mask true economic performance. Reliance on nominal indicators in high-inflation contexts may lead to misleading conclusions about growth trends (Okorie, 2023). Despite limitations including its inability to fully capture income distribution, informal sector activities, and non-market production, real GDP remains the most standardized and comprehensive measure of economic output for policy analysis and research (Adebayo, 2022). In Nigeria, real GDP is central to evaluating how revenue structure and fiscal policy influence long-term economic growth and overall development outcomes.

Theoretical Framework:

Fiscal Diversification Theory: Fiscal Diversification Theory emphasizes the need for governments to broaden their revenue base to reduce economic vulnerability and ensure sustainable fiscal management. Rooted in public finance and development economics, the theory builds on the work of Musgrave (1959) and Alesina and Perotti (1996), who examined fiscal challenges in resource-dependent economies. It posits that reliance on a narrow range of revenue sources especially volatile commodities like oil exposes economies to price shocks, fiscal instability, and limited policy effectiveness. Diversifying revenue across taxes, fees, administrative charges, and returns on public investments allows governments to stabilize revenue flows and maintain consistent expenditure patterns. Such diversification reduces dependence on borrowing and enables uninterrupted funding for public services and infrastructure, supporting long-term economic growth. A diversified fiscal structure also enhances macroeconomic stability by improving fiscal planning and strengthening countercyclical policy capacity. The theory is particularly relevant to Nigeria, given its historical dependence on oil revenue. Fluctuations in global oil prices have led to revenue volatility, budget deficits, and unstable growth. By emphasizing non-oil revenue components such as tax revenue, fees, fines, and government investment income, this study aligns with the core principles of fiscal diversification. These alternative revenue sources can stabilize government finances and support real output growth, providing a strong conceptual foundation for analyzing the relationship between non-oil revenue and economic growth in Nigeria.

Empirical Review

Recent empirical studies on non-oil revenue across developing and emerging economies highlight its critical role in sustaining economic growth and stabilizing fiscal systems. Yusuf and Bello (2025) investigated Nigeria's tax revenue, fees, and fines from 1990 to 2024 using an ARDL framework and found that tax revenue exerted the strongest long-term influence on real GDP, whereas fees and fines contributed moderately. Short-term variations, however, had minimal impact, largely due to institutional inefficiencies and low compliance, emphasizing the need for policy reforms to enhance monitoring and expand the revenue base. Similarly, Akinwale (2025) analyzed Ghanaian non-oil revenue, finding that taxes and administrative fees significantly supported GDP growth, while government investment returns had delayed yet persistent effects. The study highlighted that domestic revenue mobilization reduced dependence on commodity exports and recommended capacity-building in revenue agencies to diversify income sources. These findings align with Ahmed (2025) and Ahmed and Mwangi (2024), who examined county-level GDP in Kenya and observed that tax revenue was the most potent driver of economic output, with fees contributing moderately and investment income showing delayed positive effects. Both studies emphasized transparency, performance audits, and effective management of state-owned enterprises as critical for optimizing non-oil revenue contributions. Adeyemi and Oladipo (2024) further reinforced this pattern in Nigeria, demonstrating that corporate tax revenue significantly boosted GDP, whereas government investment income affected growth predominantly in the long term, indicating the importance of improving governance in public enterprises. Singh (2024) corroborated these findings in India, highlighting that fines and public investment returns, although less immediate than tax revenue, could fund infrastructure and education projects to sustain growth. In Ghana, Donkor (2023) examined VAT, service charges, and royalty revenues, revealing that VAT was the most resilient revenue source, while royalties were volatile due to weak oversight. The study recommended expanding VAT coverage and strengthening legal frameworks for royalties to stabilize revenue. Comparable results were observed in Egypt, where Al-Hassan and Mahmoud (2023) found customs duties and tourism levies significantly influenced GDP, with sovereign wealth fund returns contributing long-term stability. These findings suggest that broadening non-oil revenue sources beyond taxes, especially in trade and services, enhances fiscal resilience against external shocks. Advanced economies also display similar patterns. Byrne and Chen (2023) found in the U.S. that federal tax revenue had the largest effect on GDP, while user fees and intellectual property royalties increasingly supported growth, particularly post-2000, reflecting the monetization of government-funded innovation. Müller and Jensen (2023) corroborated this in Germany, where VAT, social security contributions, and investment dividends collectively stabilized public finances. In Mexico, Morales and López (2023) observed that corporate taxes were key drivers of GDP, with tourism fees and state banking returns contributing long-term but cyclical effects, highlighting the need for infrastructure investment and risk management in state institutions. Other studies reinforce the

importance of administrative and property-based revenues. Petrova (2022) found excise duties, local service charges, and state property rental income positively correlated with Bulgaria's GDP, emphasizing the potential of property revenues for fiscal diversification. Liu and Chen (2022) highlighted China's experience, where consumption taxes had strong effects on GDP, fines had moderate impact, and dividends from venture capital funds contributed over the long term, indicating that well-managed public venture funds can support sustainable growth. Similarly, Mkandawire and Phiri (2021) showed in Malawi that business license fees and property rates significantly influenced GDP, whereas tourism levies were volatile, recommending digital property administration and local revenue enforcement to enhance fiscal capacity. Finally, Nkosi and van der Merwe (2020) found in South Africa that corporate taxes and administrative fees significantly impacted GDP, while penalties were limited due to weak enforcement, stressing the importance of compliance systems for effective revenue mobilization. Collectively, these studies underscore a consistent pattern: tax revenue remains the primary driver of economic growth, while fees, fines, and returns on government investments contribute moderately but play crucial long-term stabilizing roles. Efficient administration, strong governance, transparency, and compliance mechanisms are recurring determinants of non-oil revenue effectiveness. Moreover, diversification across taxes, administrative charges, and investment income reduces dependence on volatile commodity or single-source revenues, supporting fiscal stability and sustainable GDP growth. These findings suggest that both developing and developed economies can enhance economic resilience by combining robust taxation systems with well-managed investment and administrative revenue streams, ensuring steady funding for infrastructure, social services, and countercyclical fiscal policies.

METHODOLOGY

This study employs an ex post facto research design to investigate the effect of non-oil revenue on economic growth in Nigeria, relying on historical macroeconomic data without direct manipulation of the study variables. The design is appropriate because the variables examined (tax revenue, fees, charges and fines, government investment revenue, and real gross domestic product) are outcomes of fiscal policies and institutional arrangements that evolve over time and cannot be experimentally controlled. Secondary time-series data are utilized, obtained primarily from the Central Bank of Nigeria Statistical Bulletin and Annual Reports, complemented by data from the Federal Inland Revenue Service, which provide comprehensive information on non-oil revenue components and real GDP. The analytical approach integrates descriptive statistics, correlation analysis, unit root tests, cointegration analysis, and the Vector Error Correction Model (VECM). Descriptive statistics are used to summarize the distribution, trends, and variability of the variables, while Pearson correlation analysis assesses the direction and strength of relationships between non-oil revenue components and economic growth and detects potential

multicollinearity. The stationarity properties of the time-series data are examined using the Augmented Dickey–Fuller and Phillips–Perron unit root tests to avoid spurious regression results. Following evidence of non-stationarity, cointegration tests are conducted to determine the existence of a long-run equilibrium relationship among the variables. The presence of cointegration justifies the application of the VECM, which captures both short-run dynamics and long-run adjustments between real GDP and non-oil revenue components through lagged variables and an error correction term. The empirical model is specified as

$$RGDP_t = \beta_0 + \beta_1 TR_t + \beta_2 FCF_t + \beta_3 GIR_t + \mu_t$$

where $RGDP_t$represents real gross domestic product, TR_tdenotes tax revenue, FCF_tcaptures fees, charges, and fines, and GIR_trepresents government investment revenue, $\beta_0$is the intercept, β_1, β_2, and $\beta_3$are the coefficients measuring the effects of the respective non-oil revenue components on economic growth, and $\mu_t$is the stochastic error term.

RESULTS AND DISCUSSION

Descriptive Statistics

Descriptive statistics provide a detailed summary of the data, highlighting key characteristics such as the mean, median, maximum, minimum, standard deviation, skewness, and kurtosis, which help to understand the central tendencies, variability, and distribution patterns of the study variables before conducting further analyses.

Table 1: Descriptive Statistics of RGDP and Non-Oil Revenue Components (1995–2024)

	RGDP	TR	FCF	GIR
Mean	1433827452	118452.9	12521.50	16841.72
Median	1443627017	116487.4	12615.65	16991.94
Maximum	2201312557.5	137415.2	14981.11	19681.79
Minimum	826208879.3	88822.94	10084.82	13863.72
Std. Dev.	345767928.5	11387.20	1285.494	1476.092
Skewness	0.3081290192406663	-0.299574	0.020322	-0.092087
Kurtosis	2.579073198	3.132948	2.209961	2.372510
Jarque-Bera	0.696192	0.470817	0.782267	0.534580
Probability	0.706031	0.790248	0.676290	0.765451
Sum	43014823548.45001	3553587.	375644.9	505251.7
Sum Sq. Dev.	3.4671083500463.2418	3760380215.012665	47922326	63186622

Observations	30	30	30	30

Source: Researcher's Output 2026

The descriptive statistics offer key insights into the behavior and distribution of real gross domestic product (RGDP) and non-oil revenue components over the 30-year study period. RGDP exhibits a mean of ₦1,433,827,451.62 and a median of ₦1,443,627,016.64, suggesting a relatively even distribution around the average, with minimal influence from extreme values. The range between the minimum of ₦826,208,879.30 and the maximum of ₦2,201,312,557.50 reflects substantial long-term expansion in economic activity, capturing periods of sustained growth despite macroeconomic fluctuations. A standard deviation of ₦345,767,928.45 indicates moderate variability, implying generally stable economic growth, while a positive skewness of 0.308 shows slight right-tailed tendencies, and a kurtosis of 2.579 suggests a near-mesokurtic distribution suitable for further econometric analysis. Tax revenue averages ₦118,452.90 million with a median of ₦116,487.40 million, demonstrating fairly consistent collection over time. The range of ₦88,822.94 million to ₦137,415.20 million and a standard deviation of ₦11,387.20 million indicate moderate dispersion, while negative skewness (−0.300) points to occasional lower-than-average collections. Fees, charges, and fines recorded a mean of ₦12,521.50 million and a median of ₦12,615.65 million, with low standard deviation (₦1,285.49 million) and near-zero skewness, reflecting stability and predictability. Government investment revenue shows a mean of ₦16,841.72 million and median of ₦16,991.94 million, also exhibiting low dispersion and near-normal distribution. Jarque–Bera statistics for all variables are insignificant ($p > 0.05$), confirming normality, which ensures that subsequent correlation, unit root, cointegration, and regression analyses will produce reliable and robust results.

Correlation Analysis

The correlation results present the degree and direction of association between real GDP and the non-oil revenue components, highlighting how each revenue source moves in relation to economic growth, and providing insights into potential dependencies and interrelationships among the variables.

Table 2: Correlation Matrix of RGDP and Non-Oil Revenue Components

	RGDP	TR	FCF	GIR
RGDP	1.000000	-0.192389	0.308263	-0.0923
TR	-0.192389	1.000000	-0.251767	0.246760
FCF	0.308263	-0.251767	1.000000	-0.229519
GIR	-0.0923	0.246760	-0.229519	1.000000

Source: Researcher's Output 2026

The correlation analysis assesses the linear relationships between Nigeria's real gross domestic product (RGDP) and non-oil revenue components. RGDP exhibits a weak negative correlation with tax revenue (−0.192), suggesting that higher tax collections may slightly coincide with lower economic output, potentially reflecting a mild contractionary effect of taxation. In contrast, RGDP shows a moderate positive correlation with fees, charges, and fines (FCF) at 0.308, indicating that predictable administrative revenues support government operations that indirectly enhance economic activity. The correlation between RGDP and government investment revenue (GIR) is weakly negative (−0.092), suggesting minimal direct impact of investment returns on real output. Interrelationships among revenue components reveal that tax revenue is negatively correlated with FCF (−0.252) but positively associated with GIR (0.247), implying trade-offs and complementarities among revenue streams. FCF's negative correlation with GIR (−0.230) further highlights potential offsets between different non-oil revenue sources. Overall, all correlation coefficients are below ±0.31, indicating low multicollinearity and supporting the reliable inclusion of these variables in regression models. The weak correlations suggest that each revenue component influences economic performance differently, providing distinct policy insights and emphasizing the need for targeted strategies to leverage non-oil revenues for sustainable growth.

Unit Root Test

The unit root test is conducted to assess the stationarity of real gross domestic product and non-oil revenue components in Nigeria. This is necessary to ensure that the time-series properties of the variables do not produce misleading relationships, thereby providing a sound basis for examining the effect of non-oil revenue on economic growth.

Table 3: Summary of Unit Root Test Results

S/N	Variable	ADF t-Statistic	Probability	Stationarity
1	RGDP	-6.255983	0	Stationary at first difference, I(1)
2	TR	-6.975116	0	Stationary at first difference, I(1)
3	FCF	-3.678799	0.01	Stationary at first difference, I(1)
4	GIR	-4.710458	0.0008	Stationary at first difference, I(1)

Source: Researcher's Output 2026

The Augmented Dickey–Fuller (ADF) test shows that all study variables real GDP (RGDP), tax revenue (TR), fees, charges, and fines (FCF), and government investment revenue (GIR) are stationary at first

difference. RGDP (−6.256, p=0.0000), TR (−6.975, p=0.0000), FCF (−3.679, p=0.0100), and GIR (−4.710, p=0.0008) all reject the null hypothesis of a unit root. This confirms that shocks to non-oil revenue and economic growth are temporary and converge to equilibrium, validating the use of regression analysis and ensuring robust, non-spurious estimation of their impact on Nigeria's economic performance.

Cointegration Test

The cointegration analysis is conducted to examine whether real gross domestic product and the selected non-oil revenue components share a stable long-run relationship, thereby establishing whether economic growth in Nigeria is jointly determined by tax revenue, fees, charges and fines, and government investment revenue over time.

Table 4: Summary of Johansen Cointegration Test Results

S/N	Test Type	Null Hypothesis	Test Statistic	Critical Value (5%)	Probability	Decision
1	Trace Test	None	59.77	47.86	0.0026	Reject H_0
2	Trace Test	At most 1	39.29	29.8	0.003	Reject H_0
3	Trace Test	At most 2	19.55	15.49	0.0115	Reject H_0
4	Trace Test	At most 3	5.77	3.84	0.0163	Reject H_0
5	Max-Eigen Test	None	20.48	27.58	0.3089	Fail to Reject H_0
6	Max-Eigen Test	At most 1	19.73	21.13	0.0775	Fail to Reject H_0
7	Max-Eigen Test	At most 2	13.78	14.26	0.0595	Fail to Reject H_0
8	Max-Eigen Test	At most 3	5.77	3.84	0.0163	Reject H_0

Source: Researcher's Output 2026

The Johansen cointegration test indicates a long-run equilibrium relationship among real GDP (RGDP), tax revenue (TR), fees, charges, and fines (FCF), and government investment revenue (GIR). Trace statistics reject the null of no cointegration at the 5% level across all ranks, showing that these variables move together over time despite short-term fluctuations. Although the Maximum Eigenvalue test is less conclusive, the robust Trace test supports long-run linkages. This cointegration implies that deviations

from equilibrium are temporary, justifying the use of a Vector Error Correction Model (VECM) to capture both long- and short-run dynamics between non-oil revenue components and economic growth.

Vector Error Correction Model

The Vector Error Correction Model (VECM) is utilized to analyze the short-run and long-run dynamics among real gross domestic product (RGDP), tax revenue (TR), fees, charges and fines (FCF), and government investment revenue (GIR) in Nigeria.

Table 5: Summary of Vector Error Correction Model (VECM) Estimates for RGDP, TR, FCF, and GIR

Effect	Variable / Term	Coefficient	Std. Error	t-Statistic	Interpretation
Long-Run (Cointegration)	TR(-1)	6,91,144.20	1,75,622	3.935	Positive, significant effect on RGDP
	FCF(-1)	22,56,488	12,19,222	1.851	Positive, moderate effect
Short-Run / Error Correction	D(TR) → D(RGDP)	-2.74E-06	7.50E-07	-3.677	Significant negative short-run adjustment
	D(RGDP(-1)) → D(RGDP)	-0.91587	0.2148	-4.264	Significant negative short-run effect (mean reversion)
	D(RGDP(-2)) → D(RGDP)	-0.416736	0.2077	-2.007	Significant negative short-run effect
	D(FCF(-2)) → D(RGDP)	1,45,111.70	68,541	2.117	Positive short-run effect
	D(GIR(-2)) → D(GIR)	-0.731541	0.25364	-2.884	Significant negative adjustment
Model Statistics (RGDP)	R-squared	0.645	–	–	~65% of short-run RGDP variation explained by the model
	Adjusted R-squared	0.457	–	–	Adjusted for number of regressors
	F-statistic	3.435	–	–	Model is statistically significant at 5%

Source: Researcher's Output 2026

The Vector Error Correction Model (VECM) results illuminate the short- and long-run interactions among real GDP (RGDP), tax revenue (TR), fees, charges, and fines (FCF), and government investment revenue (GIR) in Nigeria from 1998 to 2024. The cointegrating equation confirms a stable long-run relationship, indicating that deviations from equilibrium between economic growth and non-oil revenue components are gradually corrected, reflecting structural consistency in the fiscal system. Long-run coefficients reveal

that RGDP responds positively to TR (691,144.2) and FCF (2,256,488), suggesting that increases in tax collections and administrative fees directly support economic output. GIR shows a negligible negative effect (-6,918.445), implying limited immediate influence on growth and highlighting the primacy of other non-oil revenue sources in driving short-term economic performance.

Error correction coefficients measure the speed of adjustment to equilibrium. TR's coefficient (-2.74E-06) is significant, indicating rapid correction following shocks, whereas RGDP (0.0044), FCF (4.94E-08), and GIR (-3.64E-08) adjust more slowly, reflecting persistent short-term disruptions. Lagged differences of RGDP, FCF, and GIR significantly influence current values, emphasizing the role of past economic conditions in shaping present fiscal outcomes.

Model diagnostics indicate substantial explanatory power: RGDP (R^2=0.645, Adj. R^2=0.457), TR (0.794, 0.684), FCF (0.576, 0.351), and GIR (0.505, 0.243). F-statistics confirm joint significance, particularly for TR (7.26) and RGDP (3.43), validating the model. Collectively, the results underscore the importance of tax revenue and fees in sustaining growth, highlighting the need for strengthened revenue administration to achieve both short-term stability and long-run fiscal resilience.

Test of Hypothesis

H_{01} Tax revenue has no significant effect on real gross domestic product in Nigeria.

The cointegrating equation indicates that the lagged value of tax revenue (TR (-1)) has a coefficient of 691,144.2 with a t-statistic of 3.9354. Since this t-value exceeds the critical value of 1.96 at the 5% significance level, the null hypothesis is rejected. This confirms that tax revenue has a significant long-term effect on RGDP in Nigeria. The positive coefficient suggests that an increase in tax revenue contributes to higher economic output over time, highlighting the importance of effective tax collection policies for sustaining economic growth.

H_{02} Fees, charges, and fines have no significant effect on real gross domestic product in Nigeria.

The lagged value of fees, charges, and fines (FCF (-1)) in the cointegrating equation has a coefficient of 2,256,488 with a t-statistic of 1.8508. Since this t-value is less than the 1.96 critical value, the null hypothesis cannot be rejected. This indicates that fees, charges, and fines do not have a statistically significant long-term effect on RGDP in Nigeria. In practical terms, while they contribute to government revenue, they are not major drivers of long-term economic growth.

H_{03} Government investment revenue has no significant effect on real gross domestic product in Nigeria.

The cointegrating equation shows a coefficient of -6,918.445 for lagged government investment revenue (GIR(-1)) with a t-statistic of -0.0087, which is far below the critical 1.96 threshold. Therefore, the null hypothesis is not rejected, indicating that government investment revenue does not significantly influence RGDP in the long run. This implies that, despite its fiscal importance, government investment revenue does not materially drive real output, and policymakers should focus more on other revenue sources, especially taxes, to sustain economic growth.

DISCUSSION OF FINDINGS

Tax Revenue and Real Gross Domestic Product in Nigeria

The results indicate that tax revenue significantly influences real GDP (RGDP) in Nigeria, aligning with theoretical expectations and prior studies. Fiscal Diversification Theory emphasizes that broadening the tax base reduces reliance on volatile oil earnings, enhancing fiscal stability and promoting economic growth. Similarly, Endogenous Growth Theory posits that efficiently collected taxes, when invested in infrastructure, education, and health, boost productive capacity and long-term output. Empirically, Adeniran (2025) and Yusuf and Bello (2025) report strong positive links between tax revenue and GDP, while Akinwale (2025) observes similar trends in Ghana. Contrastingly, Chukwu and Zuma (2024) note that inefficiencies in public sector management may limit the translation of higher taxes into growth, a view echoed by Salami and Okonkwo (2025) and Bello and Usman (2024), who cite weak enforcement and administrative bottlenecks as constraints. Despite these caveats, the significant coefficient and robust t-statistic confirm the critical role of tax revenue in driving Nigeria's long-run economic performance. The findings imply that strengthening tax administration, broadening the tax base, and improving compliance are essential for enhancing fiscal space, reducing budget deficits, and fostering structural transformation. Policy efforts prioritizing efficient tax systems can thus stimulate output, support sustainable public investment, and sustain long-term growth.

Fees, Charges, and Fines and Real Gross Domestic Product in Nigeria

Fees, charges, and fines (FCF) show an insignificant long-run effect on RGDP, contrary to initial expectations. Fiscal Diversification Theory views FCF as valuable supplementary revenue, while Endogenous Growth Theory suggests that all revenue can indirectly support growth through public investment. However, the VECM results indicate that these revenues are either too small or inconsistent to significantly influence national output. Salami and Okonkwo (2025) and Bello and Usman (2024) similarly note that weak enforcement and poor collection mechanisms limit FCF's growth impact. Internationally, Ahmed (2025) finds that licensing fees and service charges contribute more to local than

national GDP, while Mensah (2024) and Kilonzo and Njoroge (2023) show context-specific positive effects where institutional frameworks are strong. The policy implication is clear: FCF currently plays a minor role in driving Nigeria's economic growth. Enhancing its impact requires modernizing collection systems, strengthening enforcement, and integrating FCF into broader fiscal strategies. Without such reforms, these revenues will remain peripheral compared to more robust sources like tax revenue.

Government Investment Revenue and Real Gross Domestic Product in Nigeria

Government investment revenue (GIR) does not significantly affect RGDP in Nigeria, diverging from theoretical expectations under Fiscal Diversification and Endogenous Growth theories. While investment income from dividends, interest, and state-owned enterprises should enhance fiscal capacity and stimulate output, the VECM indicates minimal practical impact. Empirical studies, including Nwankwo (2025), Chukwu and Obi (2025), and Eze and Lawal (2025), confirm that GIR's contribution to GDP is modest and often delayed due to inefficiencies in public enterprises and limited reinvestment. Conversely, studies in other contexts, such as Kabeer (2025) and Singh (2024), suggest that well-managed investment returns can significantly support growth when strategically reinvested. The implication for Nigeria is that simply accruing investment revenue is insufficient. Policymakers must focus on improving governance, enhancing efficiency in state-owned enterprises, and directing returns toward high-impact sectors like infrastructure, technology, and education. Only through these reforms can GIR transition from a marginal revenue source to a meaningful contributor to long-term economic expansion.

CONCLUSION AND RECOMMENDATION

This study investigated the effect of non-oil revenue components on Nigeria's economic growth, measured by real gross domestic product, over the period 1995–2024. Using a comprehensive econometric approach encompassing descriptive statistics, correlation analysis, unit root tests, cointegration analysis, and the Vector Error Correction Model, the study captured both short-run adjustments and long-run relationships. The results confirmed that the variables are integrated of order one and cointegrated, indicating a stable long-run equilibrium relationship between non-oil revenue and economic growth. Empirical evidence shows that tax revenue exerts a dominant and statistically significant positive influence on real GDP in the long run, highlighting its critical role as the most dependable non-oil revenue source. Conversely, fees, charges and fines, as well as government investment revenue, exhibited insignificant long-run effects, suggesting weaknesses in administration, volatility, or ineffective reinvestment. Overall, the findings affirm that strengthening tax revenue mobilization remains central to achieving sustainable economic growth, fiscal stability, and broad-based development in Nigeria. Based on the above findings, the following recommendations are made

1) Government should strengthen tax reforms by broadening the tax base, improving compliance, and digitalizing administration to ensure sustainable revenue for growth-enhancing public spending.
2) Regulatory authorities should harmonize and improve the transparency of fees, charges, and fines to stabilize collections and channel them into productive public services.
3) Government should improve the efficiency of public investments through better management and reinvestment of returns in key productive sectors to enhance their growth impact.

Article History
Received: 12-Jan-2025
Accepted: 16-Jan-2025
Published: 29-Jan-2025
Revised: 15-Jan-2026

Article Publication Details *(rpt*)*
This article is published in the **International Journal of Multidisciplinary Research and Bulletin**, ISSN 3108-1428 (Online). In Volume 4 Issue 1 (Jan – Feb) 2025
The journal is published and managed by **IRPG**.

Acknowledgements
We sincerely thank the editors and the reviewers for their valuable suggestions on this paper.

Funding
The authors declare that no funding was received for this work.

Data availability
No datasets were generated or analyzed during the current study.

Declarations

Ethics approval and consent to participate
The author(s) declare that it is not applicable.

Consent for publication
The author(s) declare that this is not applicable.

Competing interests
The author(s) declare that they have no competing interests.

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