**THE INFLUENCE OF OIL AND NON-OIL REVENUE ON ECONOMIC GROWTH IN NIGERIA (2020-2023)**

**ABSTRACT**

*Understanding the impact of both oil and non-oil revenue on economic growth in Nigeria is of utmost importance in the context of achieving sustainable development and promoting economic diversification. The objective of this study is to examine the impact of both oil and non-oil revenue on the economic growth of Nigeria. The primary objective of this study was to examine the relationship between oil revenue and economic growth in Nigeria. Additionally, the study examined the impact of non-oil earnings on the economic growth of Nigeria. Furthermore, the study conducted an assessment of the impacts of both oil and non-oil revenue on significant economic variables, such as employment, poverty rates, and income distribution in the context of Nigeria. The research design employed in this study was an Ex-post facto design, which is based on the assumption that the existing data cannot be changed as it is already public. The information encompassed a duration of three consecutive years, especially ranging from 2020 to 2022, and was procured from the Central Bank of Nigeria Statistical Bulletin. In this study, the Pearson correlation coefficient was employed to evaluate the degree of correlation or association between two variables that are measured on a continuous scale. The outcomes of the study suggest that both oil revenue and non-oil revenue have a significant and long-lasting influence on economic growth. The study provided empirical evidence that substantiates the assertion of a persistent correlation between oil revenue and economic growth. Moreover, a similar long-term relationship was seen between non-oil revenue and the expansion of the economy. A transient association exists between oil revenue and economic growth.*

**CHAPTER 1**

**INTRODUCTION**

**1.1 Background to the Study**

Nigeria is the largest economy country in west African continent that is endowed with vast naturing resources, including significant reserves of crude oil and nature gas. History has it that oil has played a crucial role in Nigeria's economy, contributing significantly to its revenue, export earnings, and overall economic growth. However, Nigeria has recognized the need to diversify its economy and reduce its dependency on oil, given the volatility of global oil prices and the potential risks associated with the over-reliance on a single commodity. Nigeria's economic growth activities faced a difficult problem with revenue generation because of various insurgency forms like evasion, neglect, and unethical behavior. These activities are considered sabotaging the economy and are readily presented as reasons for the country's stunted growth (Algoni and Agrawwal, 2017). A daunting issue was collecting taxes to fund economic growth activities in Nigeria, mainly due to different forms of evasion, including resistance, fraud, and unethical practices. The Federal Government's over-reliance on the oil sector is harmful to the economy as oil revenues decline. The Government must, therefore, diversify the economy and concentrate on the non-oil industry.

In recent years, the Nigerian government has made efforts to diversify the economy by promoting non-oil sectors such as agriculture, manufacturing, services, and solid minerals. The aim is to reduce the country's overdependence on oil and create a more resilient and sustainable economy. Non-oil sectors have the potential to contribute significantly to economic growth, employment generation, and poverty reduction. The period from 2020 to 2022 was a crucial time for the Nigerian economy due to various factors. Firstly, it marked the outbreak of the COVID-19 pandemic, which had severe implications for global economic activities, including oil prices and demand. The pandemic led to disruptions in the global supply chain, reduced oil consumption, and declining oil prices, significantly affecting Nigeria's oil revenue.

During this period, Nigeria faced challenges related to security, particularly in the northern regions, which affected agricultural productivity and food security. Additionally, infrastructure gaps, inadequate power supply, and a complex business environment posed obstacles to the growth of non-oil sectors. Analyzing the impact of oil and non-oil revenue on economic growth in Nigeria from 2020 to 2022 requires an understanding of the dynamics between these sectors. It involves examining the contributions of each sector to government revenue, employment generation, foreign exchange earnings, and overall GDP growth. Furthermore, factors such as policy frameworks, institutional capacity, investment climate, and global economic trends must be considered to evaluate the effectiveness of diversification efforts.

The Government expressed this frustration and therefore promised to increase the non-oil revenue (Abata, 2014). The Government has used taxation as one of the income-generating tools. The well-designed tax system can help developing countries prioritize their spending, build stable institutions, and enhance democratic accountability (Braütigam and Knack, 2004). The success or failure of any taxation scheme depends on how well it is handled. Despite the remarkable achievement recorded in the collection of revenues, The Government has not fully utilized its resources to improve economic activities. With this persistent variation, the location of the revenue base, the real gross domestic product and its subsequent rate of economic growth cannot be mistaken, in the light of global economic uncertainties (IMF, 2015) and, more recently, the fluctuation in the international crude oil price due to the effects of COVID-19 pandemic with its devastating impact on revenue generation (El-Erian, 2020). Acceptable economic policy is vital for achieving sustainable economic growth and increased revenue generation (Irfan, 2020). The Government of Nigeria has abandoned the agricultural sector, and power sector neglect has adverse effects on manufacturing. The proliferation of tax evasion in the Nigerian tax system has also decreased tax revenue income, which eventually affects government spending (Ojijo and Oluwatosin, 2018).

Diversification efforts aim to reduce the vulnerability of the Nigerian economy to oil price shocks and create a more sustainable growth trajectory. By increasing non-oil revenue sources, such as taxation and developing other sectors like agriculture, manufacturing, services, and tourism, Nigeria can achieve more balanced and resilient economic growth.

The agricultural industry was the basis of the Nigerian economy before the discovery of oil in Oloibiri, Bayelsa State, Nigeria in the year 1956. (Abomaye-Nimenibo et al., 2018). According to the World Bank (2013), before oil, Nigeria’s agriculture industry generated nearly 95% of the country’s foreign exchange revenues, over 60% of its employment potential, and around 56% of its gross domestic earnings. Following the discovery of oil, Nigeria’s petroleum industry grew to become the country’s largest. Oil accounted for almost 90% of foreign exchange earnings and about 80% of federal revenue and adds to the Nigerian economy’s rate of growth.

Non-oil revenues are revenues generated from sources other than the oil producing activities (such as petroleum revenue from the upstream activity and other oil related operations). Examples of non-oil revenue include revenues from companies not engaged in oil & gas explorations, such as Companies Income Tax, Personal Income Tax, Custom and Excise Duties and Value Added Tax, etc. Thus, tax imposed on these non-oil producing activities by the government is called non-oil tax, and the revenue realized by the government in the imposition of non-oil tax is known as non-oil tax revenue.

Studying the impact of oil and non-oil revenue on economic growth in Nigeria from 2020 to 2022 can provide insights into the effectiveness of diversification efforts and the resilience of the Nigerian economy during a period marked by the COVID-19 pandemic and oil price volatility. Analyzing key economic indicators such as GDP growth rate, government revenue, employment, foreign direct investment, and sectoral contributions can help evaluate the relative importance and impact of oil and non-oil revenue on Nigeria's economic performance during this period.

**1.2 Statement of the Problem**

The impact of external shocks, such as the COVID-19 pandemic, on oil and non-oil revenue streams and their subsequent effects on economic growth, pose additional challenges that need to be addressed. Oil spills, pollution, and other environmental damages have adverse effects on local communities and ecosystems. These issues not only pose challenges to sustainable development but also hinder the pursuit of economic growth beyond the oil sector.

Furthermore, the management and allocation of oil revenue in Nigeria have often been inefficient and lacking in transparency. This problem leads to limited investment in critical sectors such as infrastructure, education, and healthcare. The mismanagement of oil revenue hinders the potential for balanced and inclusive economic growth.

Addressing these problems and understanding the impact of both oil and non-oil revenue on economic growth in Nigeria is crucial for sustainable development and economic diversification. By exploring and analyzing these issues, policymakers and stakeholders can develop effective strategies to promote economic resilience, reduce dependency on oil, foster inclusive growth, and create a more balanced and sustainable economy.

**1.3 Objectives of the Study**

The primary objective of this study is to examine the impact of oil and non-oil revenue on the economic growth of Nigeria (2020-2022). Other specific objectives are:

1. To examine the relationship between oil revenue and economic growth in Nigeria.
2. To examine the impact of non-oil revenue on Nigeria’s economic growth.
3. To assess the implications of oil and non-oil revenue on key economic indicators such as employment, poverty rates, and income distribution in Nigeria.

**1.4. Research Questions**

1. Does the revenue from oil products affects Nigeria’s economic growth?
2. What is the impact of non-oil revenue on Nigeria’s economic growth?
3. Is there a positive relationship between oil, non-oil revenue and Nigeria’s economic growth

**1.5. Research Hypotheses**

H01: There is no statistically significant relationship between oil revenue and Nigeria’ economic growth.

H02: There is no statistically significant relationship between non-oil revenue and Nigeria’s economic growth

H03: There is no statistically significant relationship between oil revenue, non-oil revenue, and economic growth in Nigeria.

**1.6 Significance of the Study**

This study holds great significance as it provides valuable insights into the relationship between oil and non-oil revenue and economic growth in Nigeria. Understanding this relationship is crucial for policymakers, economists, and stakeholders who are interested in Nigeria's economic development and the sustainability of its growth trajectory. By examining the impact of both oil and non-oil revenue on economic growth during the study period, the study can shed light on the factors driving or hindering Nigeria's economic progress. this research carries implications for socioeconomic development. Examining the impact of oil and non-oil revenue on economic growth allows for an understanding of their effects on employment, poverty rates, and income distribution. This knowledge enables policymakers to formulate targeted strategies to address income inequalities, reduce poverty, and promote inclusive growth.

Academically, this study contributes to the existing body of knowledge on the Nigerian economy, resource dependency, and economic diversification. By examining the specific case of Nigeria during the study period, the research adds empirical evidence and insights to the academic literature. The significance of this study lies in its potential to inform evidence-based decision-making, promote sustainable economic development, and contribute to the overall well-being of Nigeria's population. By investigating the impact of oil and non-oil revenue on economic growth, the study provides valuable insights that can shape policies, attract investments, and contribute to Nigeria's long-term economic stability and prosperity.

**1.7 Scope and Limitations of the Study**

The scope of this study focuses on examining the impact of both oil and non-oil revenue on the economic growth of Nigeria during the period from 2020 to 2022. It considers the various economic indicators such as employment, poverty rates, and income distribution to understand the broader implications of these revenue sources on the country's economy. The study utilizes secondary data obtained from government reports, international databases, and academic sources to analyze the trends and patterns of oil and non-oil revenue during the specified period. The analysis employs quantitative methods, such as regression analysis and correlation analysis, to investigate the relationships between revenue sources and economic growth indicators.

However, it is important to acknowledge the limitations of this study. Firstly, the study relies on secondary data, which may be subject to data limitations, inaccuracies, or potential biases. Secondly, the analysis is based on the selected time frame of 2020 to 2022, which may not capture long-term trends or fluctuations in the economy. Additionally, the study does not consider other factors that may influence economic growth, such as government policies, global economic conditions, or geopolitical factors. Lastly, the study focuses specifically on the Nigerian context, and the findings may not be generalizable to other countries or regions. Despite these limitations, the study aims to provide valuable insights into the relationship between oil and non-oil revenue and economic growth in Nigeria during the specified period.

**1.8 Organizations of the Study**

The study will be organized into several key sections to ensure a logical flow and presentation of information. The organization of the study is as follows:

Chapter one presents the introduction to the research which capture the background to the study, statement of the problem, objective of the study research questions, research hypothesis, significance of the study, scope and limitations of the study, organization of the study and the operational definition of key terms.

Chapter two is concerned with literature review of the previous work as it relates to the study. It also examines the theoretical framework of the impact of oil and non-revenue on economic growth in Nigeria.

Chapter three presents the method of data collection employed in relation to the research design, population and sample with emphasis on the model specification, estimation, validation and reliability of research instrument.

Chapter four deals with presentation of data, analysis and interpretation of the findings.

Chapter five summarize the major findings from the study, conclusions and recommendation for further research.

**1.9 Definition of key Terms**

Oil Revenue: Oil revenue refers to the income generated from the exploration, production, and export of crude oil and petroleum products in Nigeria. It includes proceeds from oil sales, royalties, taxes, and other related sources.

Non-Oil Revenue: Non-oil revenue in this study refers to the income generated from sources other than the oil sector in Nigeria. It includes revenue from sectors such as agriculture, manufacturing, services, taxation, customs and excise duties, and other non-oil related activities.

Economic Growth: Economic growth is defined as the increase in the real gross domestic product (GDP) of Nigeria over the study period (2020-2022). It measures the expansion of economic activity in terms of the total value of goods and services produced in the country.

Employment: Employment refers to the number of individuals actively engaged in productive work, including both wage and self-employment. It includes both formal and informal sector employment.

Poverty Rates: Poverty rates represent the proportion of the population living below the poverty line in Nigeria. It is usually measured based on income or consumption levels and provides an indicator of the prevalence of poverty within the country.

Income Distribution: Income distribution refers to the way national income is divided among individuals or households in Nigeria. It examines the pattern of income dispersion, inequality, and the concentration of wealth within the population.

**CHAPTER TWO**

**LITERATURE REVIEW**

This chapter is dedicated to section 2.1, which provides a conceptual review. Section 2.2 presents a theoretical review, while section 2.3 explores the works of previous researchers on the relationship between oil revenue, non-oil revenue, and economic growth. This section also focuses on the empirical literature pertaining to the project topic or related subjects, commonly referred to as the empirical review. Lastly, the chapter addresses the gaps in the existing literature and outlines the methodology employed.

**2.1. Conceptual Review**

**Oil Revenue**

The Oil Revenue (OREV) refers to the aggregate income generated from the annual sales of crude oil and refined petroleum products within the country, both domestically and internationally, denominated in the local currency unit (Naira). It is widely recognised that oil is a non-renewable resource (Idekwulim, 2014).

**Non-oil Revenue**

Non-oil revenues are generated from sources that are distinct from oil production, encompassing activities such as petroleum revenue derived from upstream operations and other operations associated with the oil industry. Non-oil revenue encompasses various sources of income generated by companies not engaged in oil and gas exploration. These sources include corporate income tax, personal income tax, customs and excise duties, and value added tax. Non-oil tax refers to the taxation imposed by the government on industries that do not produce oil. Non-oil tax revenue, on the other hand, represents the funds generated by the government through the implementation of non-oil taxes.

Non-Oil Revenue (NOREV) refers to a comprehensive category encompassing all forms of revenue that are not derived from oil resources. The main components of non-oil revenue include corporate income tax, customs and excise charges, and value-added tax. These three sources are considered the most significant contributors to the overall revenue.

**Companies’ Income Tax (CIT)**

According to the research conducted by Okeke, Mbonu, and Ndubuisi (2018), the term "company" refers to any legally recognised entity, excluding corporation sole, that has been established in accordance with the prevailing laws in Nigeria or any other jurisdiction. The regulatory body overseeing the registration of companies in Nigeria is known as the Corporate Affairs Commission (CAC). According to Appah (2016), Ogbonna and Companies Income Tax (CIT) is a tax imposed on the profits of companies (excluding profits from upstream operations) that are generated within, derived from, brought into, or received in Nigeria, in relation to any trade or business, rent, premium, dividends, interest, royalties, and any other form of annual profit.

**Personal Income Tax (PIT)**

Personal income is defined as the income earned by individuals, families, or communities through various sources such as employment, business activities, trade, professions, or vocations (Dandago & Alabade, 2001). The Personal Income Tax (PIT) (Amendment) Act of 2011 provides a legal definition for personal income tax. According to this act, personal income tax refers to the tax levied by the government on the earnings of individuals and corporation soles. This tax is imposed on individuals, groups of individuals, or sole corporations based on their income or profits.

**Value Added Tax (VAT)**

VAT, also known as Value Added Tax, is a tax imposed on the value added by suppliers or sellers to products or services prior to their sale. The implementation of VAT was necessary to increase government revenue from non-oil sources in response to the volatility in oil revenue caused by oversupply in the international market. The Federal Inland Revenue Services (FIRS) is responsible for overseeing the Value Added Tax (VAT) in Nigeria. VAT was implemented in the Nigerian tax system in the fiscal year of 1994 through the enactment of VAT Decree No. 102 of 1993. This decree replaced the Sales Tax Act of 1986 and established a VAT rate of 5%. (PWC, 2018) is a citation indicating the source of information. Value added tax (VAT) is a tax imposed on the incremental value of goods and services as they move through various stages of production, distribution, and service provision.

**Customs and Excise Duties (CED)**

Import duty, also known as customs duty, was initially implemented in 1860. Customs duties in Nigeria are the oldest form of taxation and serve as the main source of revenue for the federal government. These duties are imposed on specific products and are paid by importers (Buyonge 2008). Customs duties in Nigeria refer to the taxation imposed on imported goods and services. Import tariffs can be calculated either as a percentage of the imported goods or services' value, or as a fixed amount per item (unit tax) (Buba, 2007). Excise tariffs were implemented in Nigeria in 1962 as a means to expand the country's revenue sources (Buba, 2007).

**Economic Growth**

Aigbokhan (1995) defines economic growth as the rise in the average output per person, typically measured annually. It represents the rate at which a nation's output or income changes over a period of time. Economic growth refers to the rise in the real market value of an economy's goods and services over time. Statisticians frequently employ the percentage rate of increase in real gross domestic product (GDP) as a metric for measuring economic growth.

**2.2. Theoretical Review**

**Theories of Oil and Non-oil Revenue**

**Dutch Disease**

The term "Dutch disease" describes an economic phenomenon where rapid growth in a specific sector of the economy, particularly natural resources, results in a decline in other sectors. It is often accompanied by a substantial appreciation of the domestic currency. The Dutch disease emerged in 1959 when the Netherlands discovered a significant natural gas reserve in Groningen. The Netherlands sought to capitalise on gas exports by utilising this resource. The outflow of gas from the country resulted in a decline in its competitiveness compared to other countries' exports. The appreciation of the Dutch currency was a consequence of the country's increased focus on gas exports, which in turn had a negative impact on its ability to export other goods. The Netherlands experienced a recession due to the expansion of the gas market and a decline in the export economy.

This phenomenon has been observed in various countries globally, such as Venezuela (oil), Angola (diamonds, oil), and the Democratic Republic of Congo (diamonds), among others. The Dutch plague negatively impacts the competitiveness of tradable commodities in global marketplaces. Corden and Neary (1982) proposed the concept of the Dutch sickness. According to the theory, the discovery of natural resources, such as oil or minerals, may lead to positive effects, but it can also result in a decline or lack of growth in manufacturing and agriculture. The term "Dutch disease" describes the anticipated changes in production structure following a positive shock, such as the discovery of a significant natural resource or an increase in the interbank lending rate. Gelb and Associates (1988) predict that these structural changes will lead to a decrease or stagnation in other tradable sectors of the economy. Additionally, they anticipate an appreciation of the country's real exchange rate.

Dutch disease concerns can also emerge when there are significant and prolonged inflows of private capital or foreign aid (Auty 2001). Lederman and Maloney (2007) challenge the credibility of these findings due to several factors, such as the limitations of using cross-section data for econometric analysis and the need for a more theoretically grounded measure of natural resource abundance. The researchers find that natural resource abundance has a positive impact on economic growth. They use panel data and measure resource abundance as net exports of natural resources per worker. The authors argue that productivity growth in the service and natural resource sectors may be comparable to manufacturing, challenging the notion that manufacturing possesses distinct qualities. If the growth potential of the natural resource sector is not inferior, then the shift from agriculture to manufacturing would be similarly significant. The rapid growth of crude oil exploration and the declining agricultural sector in Nigeria suggest the presence of the "Dutch Disease." This phenomenon emerged in the early 1970s when Nigeria's economy became heavily reliant on crude oil. The term "Dutch Disease" (DD) describes the phenomenon in which the positive or negative impacts of natural resource booms hinder the economic development of countries where these resources are extracted. This theory originated in the Netherlands in the 1960s when gas reserves were discovered in the North Sea. The resulting increase in revenue, primarily in hard currencies, caused the Dutch gilder to appreciate significantly. This had a negative impact on non-oil sectors such as agriculture and manufacturing, leading to a decline in their exports and an overall negative effect on the economy. As a result, the economy became heavily reliant on oil or hydrocarbons.

The implementation of the Structural Adjustment Programme (SAP) was based on advice from the International Monetary Fund (IMF), which critically evaluated national projects and recommended it as a solution to address the manifestation of Developmental Delay (DD). Dutch Disease refers to the situation where a significant amount of money enters the economy as a result of a major sale of natural resources on the global market. This influx of funds can have negative effects on various aspects of the economy, leading to problems such as unemployment, crime, inflation, and trade deficit. These issues are currently present in the Nigerian economy. Despite operating for many years, the economy has remained stagnant and sustainable growth appears unrealistic. It is crucial to make serious efforts to identify the root cause of this economic impasse, considering the possibility of Dutch Disease and other potential causes. Additionally, it is important to develop appropriate programmes and solutions that are beneficial to the masses.

In conclusion, the presence of Dutch Disease should be thoroughly examined when there is an abundance of natural resources. This is important because the availability of these resources can negatively impact social and infrastructure quality, as well as weaken human and physical capital, ultimately hindering rapid socio-economic growth.

**Rentier Effect**

Rentier states are characterised by a unique feature of not relying on domestic tax revenue due to their abundant natural resources. This distinguishes them from other states that export resources or licence their development to external parties. The Rentier state theory is a subset of the broader study on the resource curse theory. To fully understand the case study presented in this paper, it is important to first define the concept of the Rentier state and its characteristics. Beblawi argues that a political entity can only be referred to as a state if it possesses the necessary characteristics of a state. Rent-seeking or Rentier states exhibit distinct characteristics, including a dominant presence of rent in the state's economy, the existence of rent externalities, and a limited number of individuals involved in rent generation.

**Resource Curse Theory**

Nigeria's oil revenue was seen as both a blessing and a curse for its economy. While it greatly contributed to the country's wealth, it also resulted in the neglect of other sectors (Agbaeze and Ukoha, 2018). The resource curse, also referred to as the abundance paradox or poverty paradox, is a phenomenon characterised by lower economic growth, democracy, and development outcomes in countries that possess abundant natural resources, such as fossil fuels and certain minerals, compared to countries with fewer natural resources. The causes and exceptions to these negative outcomes are extensively debated and analysed in academic literature. The resource curse is not universally or inevitably experienced, but rather affects certain countries or regions under specific circumstances, according to most experts.

The concept of the 'resource curse,' as it was named, suggests that countries with abundant natural resources are likely to face economic underperformance, low levels of democracy, and internal or external conflicts. Richard Auty, the originator of the "resource curse" theory, argued in his book "Sustaining Development in Mineral Economies: The Resource Curse Thesis" that numerous developing countries with abundant natural resources not only fail to benefit from this advantage but may also perform worse than countries with fewer resources. The resource curse thesis is founded on the counterintuitive outcome. Sachs and Warner's research on the economic performance of resource-rich countries during the period of 1970 to 1989 laid the foundation for subsequent studies on the resource curse phenomenon. Their research revealed a correlation between the intensity of the natural resource curse and economic growth. Further investigation is warranted to understand the factors contributing to the emergence of the resource curse. In other words, what factors contribute to resources being perceived as a curse rather than a blessing for states? The literature on resource curses offers various explanations, but the rentier state theory is widely regarded as a robust analytical framework for understanding the causes of resource curses.

**Theories of Economic Growth**

**Classical Growth Theory**

The classicalist perspective posits that a nation's economic growth will decelerate with increasing population and diminishing resources. This implies that classical growth theory economists assume that a temporary increase in real GDP per capita will ultimately result in a population surge, which will strain a country's resources and consequently reduce real GDP.Consequently, the country's economy will experience a deceleration. The classical growth theory posits that economic expansion will decelerate or cease due to a growing population and finite resources. Economists adhering to the classical growth theory posited that temporary increases in real GDP per capita would lead to a subsequent population surge, thereby reducing real GDP.

**Neo-Classical Growth Model**

The neoclassical growth model (NGM) is fundamental in the analysis of economic growth, as established by Solow (1956) and Swan (1956). According to the model, capital accumulation is a key driver of economic growth in the short term. This objective can be achieved through the implementation of fiscal policies that incentivize higher levels of personal savings. The NGM posits that growth rates will ultimately return to the level determined by technological progress, which it views as being determined externally and unaffected by economic factors. Consequently, the NGM expresses pessimism regarding long-term economic growth. The theory of declining marginal productivity is employed to elucidate this pessimistic viewpoint, which posits a maximum threshold on the amount of output a worker can generate solely by increasing their capital input.

The Neo-classical Growth Theory is an economic model that elucidates the interplay of labour, capital, and technology in generating a sustainable rate of economic growth. The Solow-Swan Growth Model is a widely utilised variant of the Neoclassical Growth Model. Short-term economic equilibrium is achieved through the interaction of labour and capital, which are essential factors in the production process. The thesis posits that technological change significantly affects the overall functioning of an economy. Neoclassical growth theory identifies three essential variables for a thriving economy.

**Endogenous Growth Theory**

Initially, the endogenous growth rate was attained by replacing Solow's assumption of diminishing returns to capital with a more comprehensive concept of constant returns to capital. Subsequently, the focus shifted to monopolistically competitive models that incorporate an endogenous rate of technological growth.

**2.3. Empirical Review**

**Evidence from developed countries**

Rautava (2004) employed a VAR model to assess the impact of oil price shocks on the Russian economy. The study revealed that crude oil has exerted a significant influence on Russian GDP. He found that higher crude oil prices resulted in higher GDP in both the short and long terms.

Jin (2008) found that oil price increases negatively affect economic growth in Japan and China, but positively impact economic growth in Russia. A 10% permanent rise in global oil prices is associated with a 5.16% increase in Russian GDP and a 1.07% decrease in Japanese GDP. A real exchange rate appreciation leads to GDP growth in Russia and GDP decline in Japan and China.

**Evidence from developing countries**

Makochekanwa (2013) examined Botswana's approach to addressing the Dutch disease. The researcher found that Botswana's situation contradicts the prediction made by the Dutch Disease (DD) model, which suggests that a resource boom will invariably harm a country's manufacturing exports. The qualitative literature explores the country's success in avoiding the resource curse phenomenon. In contrast, the study employs econometrics to examine the DD hypothesis regarding the primary export items in the manufacturing, mining, and agriculture sectors of the country. The gravity model was employed to deduce that diamond exports had a positive impact on the country's manufacturing exports, contradicting the notion that they would be detrimental.

Bela (2008) found a significant and positive correlation between economic growth and export promotion in less developed countries. This was determined through a comprehensive empirical study of eleven countries that possess robust industrial bases. Bela suggests that countries that implement discriminatory economic policies neglecting their export sector are likely to experience reduced rates of economic growth. Additionally, Bela argues that the performance of a country's exports is indicative of the effectiveness of its export economic policies.

Krueger (2008) analysed the correlation between export growth and inflation in a sample of eleven countries spanning the period from 1954 to 1971. A simple log-linear specification was employed for each country. The study reveals a stronger correlation between GNP and export earnings compared to GNP and total foreign exchange availability. This finding implies that there is a positive correlation between export performance and the implementation of export-oriented policies. These findings align with previous studies conducted by Emery (2007), Severn (2008), and Syron and Walsh (2008), who employed bivariate regression to examine a similar phenomenon.

Michaely (2007) conducted research on the international statistical comparison of export performance and its relationship to economic growth. He also employed a univariate model. The researcher observed a strong positive relationship between per capita income growth, which serves as a proxy for economic growth, and the export-to-GNP ratio in a sample of forty less developed countries. However, this evidence was only significant for the twenty-three less developed countries that were part of the sample.

Harma and Panagiotidis (2004) employ multiple methodologies to investigate the export-led growth hypothesis in the context of India. Their findings provide evidence that contradicts the arguments supporting the export-led growth hypothesis for India.

Stijns (2003) employed a gravity trade model to empirically assess the Dutch Disease theory across multiple countries. The study found conclusive evidence of the Dutch Disease phenomenon, where increases in energy prices negatively impact the industrial exports of energy-exporting countries.

Amavilah (2003) analyses Namibian data spanning from 1968 to 1992 in order to estimate the impact of exports on economic growth. The findings elucidated the overall importance of exports, yet failed to demonstrate any observable correlation between exports and enhanced economic growth.

Vohra (2001) investigates the correlation between export and economic growth in India, Pakistan, the Philippines, Malaysia, and Thailand. Empirical findings suggest that when a country achieves a certain level of economic development, exports significantly contribute to favourable economic growth. The study highlights the benefits of open market policies through the pursuit of export expansion plans and the attraction of international investments.

Thornton (1996) demonstrated a significant and positive causal relationship between exports and economic growth in Mexico through the application of Engle-Granger co-integration and Granger causality tests within a two-variable framework.

Amoating and Amako (1996) conducted a tri-variate causality study on exports, economic growth, and foreign debt service in 35 African nations. The findings indicate that there was a simultaneous feedback effect between export revenue, foreign debt service, and economic growth.

Doraisami's (1996) study provides strong evidence for the bi-directional causality between export and growth in Malaysia, as well as the presence of a positive long-term relationship between these variables.

Maddison (1990) discusses the expenses that other nations have faced in implementing strategies to enhance their exports, such as adjusting exchange rates or providing specific export subsidies. Pakistan has experienced a notable increase in manufacturing exports due to the implementation of a differentiated bonus structure based on the type of production. India also had a system of export subsidies, which were temporarily halted in 1966. Additionally, she granted approval for the reimbursement of domestic taxes and custom duties on exported goods. These countries' efforts confirmed the necessity of export promotion.

Several authors, such as Lamfalussy (2001), Todaro (1980), Ayagi (2000), Ndulor (1993), and others, caution developing countries against persistently relying on exports, whether they are oil or non-oil products. Lamfalussy (2001) expresses concern regarding the potential consequences of heightened export activity. The claim suggests that increased exports result in a decrease in domestic consumption due to a reduction in available goods within the country. This results in diminished social welfare and its subsequent repercussions. Osagie argues against initiating export promotion initiatives without first addressing the essential needs of domestic consumers and industry.

Todaro and Okengwu caution against relying solely on a single primary commodity for non-oil export production, as this can render the economy highly vulnerable to market fluctuations in the long run. The authors argued that relying on export promotion as a development strategy can be highly unreliable due to fluctuations in commodity-specific prices.

Ayagi suggests that it is important to evaluate the practicality of every export promotion objective. He argues that implementing such a policy without the potential to contribute to economic recovery poses a significant risk for any country. The author cautions against implementing economic policies that focus on promoting non-oil exports in Nigeria, as they may lead to a perpetual and inescapable cycle of debt for the country.

According to Meier (1970), agricultural expansion policies offer significant potential for developing countries to enhance their revenue and foreign exchange gains. He states that the increase in exports is in line with the demands of the current external market. Therefore, implementing a policy that promotes a substantial growth in agricultural export production is a rational decision.

Maizels (1968) conducted a study. The researcher conducted a study in sixteen nations to examine the correlation between exports and economic growth. Time series analysis was performed on the data pertaining to exports and GDP. Maizels' research findings indicate a weak correlation between export activities and economic growth. In contrast, he presented two potential explanations. Two limitations of the study include a small sample size and the failure to account for the relative significance of exports in the overall national income of the countries examined.

According to Esfahani (1991), exporting enables developing nations to mitigate potential shortages in imports. In other words, export earnings can contribute to reducing the foreign exchange imbalance, which is considered a hindrance to economic growth.

**Evidence from Nigeria**

In their study, Omodero and Dandago (2019) employed the ordinary least squares method to examine the influence of tax revenue on the provision of public services in Nigeria. This study examined the influence of tax revenue on educational and healthcare infrastructure in Nigeria. The data indicates that tax income significantly benefited education and health care services.

In their study, Olayungbo and Olayemi (2018) examined the correlation between non-oil earnings, government expenditure, and economic growth in Nigeria. The report indicates that government spending adversely affected economic growth. Non-oil revenue positively influenced economic growth.

Ogba et al. (2018) examined the influence of non-oil revenue on the economic growth of Nigeria. The study found a strong and positive long-term relationship between non-oil earnings and Nigeria's economic development.

Olayungbo and Kazeem (2017) employed the autoregressive distributed lag (ARDL) approach to analyse the impact of oil revenue and corruption on the economic growth of Nigeria. The study discovered a stable relationship over time between oil revenue, corruption, and economic growth. The study indicates that corruption and oil revenue contributed to economic growth in the long term, but resulted in a short-term decline.

Aladejare and Saidi (2014) employed the bound test to analyse the influence of important non-oil sector drivers on the economy of Nigeria. The study demonstrates that non-oil exports significantly contribute to the economic development of the country in both the short and long term. The study's findings indicate that inflation and Nigeria's economic growth have an inverse relationship, with an increase in inflation being associated with a decrease in the exchange rate. In contrast, the real interest rate does not appear to have a significant effect on economic growth.

Ude and Agodi (2014) analysed the influence of non-oil revenue on the economic growth of Nigeria. The study incorporated agriculture and industry as non-oil revenue factors. The study's results indicated that agriculture, manufacturing, and interest rates exerted a substantial influence on Nigeria's economic growth. In our study, we utilise a tax-related non-oil revenue source, as documented in the annual reports of the Central Bank.

Ogbona (2012) conducted a study from 2000 to 2009, utilising ordinary least square regression analysis with SPSS software, to examine the correlation between petroleum income and the Nigerian economy. The findings indicate that oil revenue is positively and significantly correlated with GDP and per capita income, but negatively and significantly correlated with inflation. The study concludes that petroleum revenue has had a positive and significant impact on the Nigerian economy during the period under investigation.

Adedokun (2012) examined the influence of oil export revenue on the economic growth of Nigeria. The analysis revealed that oil export earnings significantly and positively affect the country's economy in both the short and long run. The study also revealed that fluctuations in global crude oil prices significantly influenced Nigeria's foreign exchange revenues.

Akilo (2012) examined the impact of oil on the economic development of Nigeria. The study suggests that oil could potentially stimulate the expansion of non-oil sectors. In contrast, oil had a detrimental effect on the industrial sector. Bidirectional causality was observed between oil and manufacturing, oil and building and construction, manufacturing and building and construction, manufacturing and trade and services, and agricultural and building and construction. This study also demonstrated the presence of unidirectional causality between industry and agriculture, commerce and services, and oil. The study found no associations between agriculture and oil, trade and services, or building and construction. The study suggests implementing regulatory and pricing reforms to integrate the oil sector into the economy and mitigate the negative effects of oil on Nigeria's manufacturing sub-sector.

Farzanegan (2011) examined the emotional impacts of oil revenue shocks on different types of Iranian government expenditure through the utilisation of instinct reaction functions and the difference disintegration breakdown approach. The study's results indicate that Iran's military and security expenditures were significantly influenced by fluctuations in oil prices, while social expenditures were not.

Oladipo et al. (2017) examined the impact of tax revenue on agricultural productivity in Nigeria. The study employed the Engel and Granger methodology and determined that Nigeria's tax revenue was inadequate in promoting agricultural activities.

Odularu and Okonkwo (2009) aimed to assess the influence of crude oil sector development on the Nigerian economy, specifically in terms of government finances and income. The study revealed a positive correlation between crude oil and government revenue. There was a significant positive relationship between crude oil price and government expenditure, suggesting fiscal implications and linkages. These linkages result from the government's allocation of a larger portion of crude oil revenue towards the development of sectors such as agriculture, education, and infrastructure. These sectors are integral components of the government's capital and recurrent expenditures.

Oil and non-oil revenue play significant roles in influencing economic growth. This study suggests that there is a trade-off between the management and balance of the oil sector and the non-oil sector. This study seeks to assess the impact of both oil and non-oil revenue on economic growth. This research aims to provide valuable insights to the Nigerian Central Bank, OPEC, and other organisations regarding the correlation between oil, non-oil revenue, and economic growth. Additionally, it seeks to propose strategies for effectively managing gains and directing them towards profitable investments to generate sufficient revenue.

**Gaps in The Literature**

The evaluation of existing literature Considerable research has been undertaken on the relationship between oil and non-oil revenue and economic growth in developing nations, with a particular focus on the Nigerian economy. At times, economic theory proposes that reducing emphasis on the oil sector can promote economic growth. However, other experts argue that increasing investment in the oil sector can stimulate economic growth. Consequently, the limited research available on oil and non-oil revenue yields conflicting results.

To the best of my understanding, derived from both theoretical and empirical research. The resource curse is associated with a negative correlation between oil revenue and economic growth and development. However, oil revenue encompasses various sectors such as agriculture and manufacturing, leading to a positive correlation between oil revenue and economic growth. This paper empirically examines the impact of economic growth and development on expanding the non-oil sector's operations in Nigeria. It also explores potential solutions to the country's ongoing challenges and economic setbacks.

**CHAPTER THREE**

**RESEARCH METHODOLOGY**

This chapter provides an overview of the research design, sampling techniques, sources of data collection, data analysis technique, and model specification, as well as deductive expectation.

**3.1. Research design**

The study conducted an analysis on the influence of both oil and non-oil revenue on the economic growth of Nigeria. The study employed the *Ex-post facto* research design. This assumption is made under the premise that the necessary data cannot be altered as it already exists. The measurement of economic growth was conducted through the use of Real Gross Domestic Product (RGDP). The independent variable, oil and non-oil revenue, was approximated by the natural Oil Revenue logarithm (LOL), and natural Non-oil Production logarithm (LNOIL).

**3.2. Sample and Sampling Techniques**

The sample size for this study is based on the Nigerian economy, specifically determined by its real gross domestic products, as well as oil and non-oil revenues over a period of three years (2020-2022). The utilisation of judgemental sampling methodology has been implemented due to the inherent nature of revenue collection being a government function. The information pertaining to this process is classified and not readily accessible. The decision was made to utilise the certified documents from the Central Bank of Nigeria, which are recognised by the FIRS, in order to obtain the necessary data for analysis.

**3.3. Sources of Data Collection**

The data collection process involved the utilisation of secondary data sources, which were subsequently updated to fulfil the information requirements of this study. Secondary data refers to data that has been gathered or collected by individuals or organisations for various purposes. A comprehensive examination of scholarly literature, library resources, reports, journals, and online materials serves as the primary means by which I collect secondary data. The dataset encompassed a duration of three years, specifically from 2020 to 2022. The data utilised for this study have been obtained from the Central Bank of Nigeria Statistical Bulletin.

**3.4. Data Analysis Technique**

The Pearson correlation coefficient is a statistical measure that quantifies the degree of association or relationship between two continuous variables. The method under consideration is widely recognized as the most effective approach for quantifying the relationship between variables of interest due to its reliance on the covariance method. This provides insights into the magnitude and direction of the association or correlation.

|  |  |  |  |
| --- | --- | --- | --- |
| **Variables** | **Type** | **Measurement** | **Apriori expectations** |
| Real GDP | Dependent variable | Macroeconomic measure | undefined |
| Oil Revenue | Independent variable | Endogenous variable | Positive |
| Non-oil Production logarithm | Endogenous variable | Positive |

**3.5. Model Specification**

The study employed model co-integration methods and error correlation to analyse the secondary data obtained from the Central Bank of Nigeria's Statistical Bulletin for the period spanning 2020 to 2022, encompassing a duration of three years. A comprehensive econometric model was developed based on the conceptual, theoretical, and empirical literature that was reviewed. The purpose of this study was to examine the relationship between economic growth and revenue variables in Nigeria. This study utilised the empirical model developed by Okwori and Sule (2016), which is represented as RGDP = f (oil, non-oil), with minor adjustments. The model utilised in this study posits that economic growth is contingent upon factors such as oil revenues, non-oil revenues, and exchange rates. The exchange rate has been utilised as a control variable. The functional relation and the resulting model are as mentioned below:

RGDP= α\_i+β\_i LOIL+ β\_i LNOIL+ μt (1)

RGDP= α+βLOIL+ βLNOIL+ μt (2)

Where

GDP is Real Gross Domestic Products by logarithm;

LOL is the natural Oil Revenue logarithm;

LNOIL is the natural Non-oil Production logarithm,

μt is the expression of errors.

**3.6. Deductive Expectation**

A deductive expectation otherwise referred to as “a priori expectation” refers to a measurement that is derived from the signs and magnitudes of the coefficients of the variables being examined. An apriori argument, reason, or probability is grounded in assumed principles or facts, as opposed to concrete or observed evidence. These economic indicators are grounded in economic theory and aim to assess the alignment between expected and observed outcomes. Specifically, they evaluate whether economic expectations are consistent with actual observations during the analysis.

**CHAPTER FOUR**

**PRESENTATION AND DISCUSSION OF RESULTS**

The following section provides an exposition of the findings derived from the analysis conducted in the present study. The data that was gathered was subjected to analysis through the utilisation of the SPSS v23 software. The findings are presented in three sections. The initial section of this chapter serves to reiterate the research hypotheses that were initially presented in chapter one. The purpose of this action is to enhance the coherence of readership. The subsequent section provides a summary of the analysis based on the formulated research hypotheses. Subsequently, the third section examines the implications of the findings.

**4.1. Restatement of research hypotheses**

**H01**: There is no statistically significant relationship between oil revenue and Nigeria’ economic growth.

**H02:** There is no statistically significant relationship between non-oil revenue and Nigeria’s economic growth

**H03:** There is no statistically significant relationship between oil revenue, non-oil revenue, and economic growth in Nigeria.

**4.2. Presentation of data analysis**

**H01:** There is no significant positive relationship between oil revenue and Nigeria’ economic growth.

|  |
| --- |
| **Table 4.1: Showing Correlations between oil revenue and Gross domestic product** |
|  | Oil revenue | Gross domestic product |
| Oil revenue | Pearson Correlation | 1 | .979 |
| Sig. (2-tailed) |  | .131 |
| N | 3 | 3 |
| Gross domestic product | Pearson Correlation | .979 | 1 |
| Sig. (2-tailed) | .131 |  |
| N | 3 | 3 |

**Source:** Computational result using SPSS v23

The data presented in table 4.1 above provides compelling evidence of a robust positive correlation between oil revenue and gross domestic product (0.979). This suggests that there exists a positive correlation between the increase in oil revenue and the subsequent growth of Nigeria's economy. Nevertheless, the current scenario does not align with expectations, as the nation's economic growth continues to deteriorate despite the simultaneous rise in oil revenue. Additional implications of this finding have been expounded upon in the subsequent section of analysis and discussion within this chapter.

**Ho2:** There is no significant relationship between non-oil revenue and Nigeria’s economic growth.

|  |
| --- |
| **Table 4.2: Showing Correlations between Gross domestic product and non-oil revenue** |
|  | Gross domestic product | non oil revenue |
| Gross domestic product | Pearson Correlation | 1 | .899 |
| Sig. (2-tailed) |  | .289 |
| N | 3 | 3 |
| non oil revenue | Pearson Correlation | .899 | 1 |
| Sig. (2-tailed) | .289 |  |
| N | 3 | 3 |

**Source:** Computational result using SPSS v23

Upon careful examination of the data presented in table 4.2 it becomes apparent that a robust and affirmative correlation exists between non-oil revenue and gross domestic product, as indicated by the coefficient of 0.899. This postulation posits that as the influx of non-oil revenue surges, there is a concomitant augmentation in the realm of Nigeria's economic growth. This is untrue, though, as the nation's economic growth continues to stagnate despite rising oil prices. The discussion section of this chapter has expounded upon the additional ramifications stemming from this particular outcome.

**H03:** There is no significant positive relationship between oil revenue, non-oil revenue, and economic growth in Nigeria.

|  |
| --- |
| **Table 4.3: Showing Correlations between non-oil revenue, oil revenue and GDP** |
|  | non oil revenue | Oil revenue | Gross domestic product |
| non oil revenue | Pearson Correlation | 1 | .969 | .899 |
| Sig. (2-tailed) |  | .158 | .289 |
| N | 3 | 3 | 3 |
| Oil revenue | Pearson Correlation | .969 | 1 | .979 |
| Sig. (2-tailed) | .158 |  | .131 |
| N | 3 | 3 | 3 |
| Gross domestic product | Pearson Correlation | .899 | .979 | 1 |
| Sig. (2-tailed) | .289 | .131 |  |
| N | 3 | 3 | 3 |

**Source:** Computational result using SPSS v23

Based on the data presented in Table 4.3 it is evident that a positive correlation exists between non-oil revenue and oil revenue, with a correlation coefficient of 0.969. There is a positive correlation observed between non-oil revenue and economic growth, with a coefficient of 0.899. The variables in question exhibit interaction, although their relationship does not demonstrate statistical significance. However, the null hypothesis, which posits that there is no statistically significant correlation between oil and non-oil revenue and economic growth in Nigeria, is refuted.

**4.4. Discussion of Findings**

When variables such as oil revenue, non-oil revenue, and GDP exhibit a positive correlation, it suggests that they tend to change in the same direction. This relationship indicates that there is a positive correlation between the two variables, meaning that as one variable increases or decreases, the other variable also exhibits a corresponding increase or decrease in value. The study utilised the Pearson correlation coefficient to assess the magnitude of a positive correlation. The correlation coefficient measures the strength of a relationship between variables. A higher correlation coefficient indicates a stronger positive relationship. A value greater than zero suggests a fair to moderate positive association, while a value of one indicates a perfect positive correlation.

However, it is important to note that a positive correlation does not necessarily indicate a causal relationship. There is a correlation between changes in one variable and changes in another variable, but it does not necessarily imply causation. Testing for correlation, specifically positive correlation, is a valuable tool in effectively managing the diversification of an investment portfolio. By selecting a variety of assets that exhibit different behaviours, investors can optimise the level of acceptable risk. Additionally, it is worth noting that this research is not the only one to uncover the positive correlation between economic growth and both oil and non-oil revenue. Despite the scholarly discoveries, it is disheartening to note that there is insufficient evidence indicating that the oil windfall has resulted in enhanced social and economic welfare for the Nigerian population. The presence of corruption in Nigeria is a significant contributing factor to the country's high poverty rates, despite its possession of the second-largest oil reservoir in Africa. The exploration and sale of oil in Nigeria have resulted in significant profits, but it can be argued that the economy has been impacted by the resource curse. Resource curse is a paradox used to describe a country possessing valuable natural resources but largely experiencing economic underperformance. The occurrence of a resource curse can be attributed to the excessive concentration of a country's capital and labour force in a limited number of persons or industries that heavily rely on natural resources, in Nigeria’s case, the political class.

**CHAPTER FIVE**

**SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

The summary of the findings is presented in this chapter. The study's results serve as the basis for the policy conclusions and recommendations outlined in the text. The study's main contributions to knowledge, as well as its limitations, were thoroughly discussed. Additionally, suggestions for future research were also provided.

**5.1. Summary of findings**

This study examines the potential impact of oil revenue and non-oil revenue on economic growth in Nigeria. The analysis results suggest a general alignment with the natural resource curse literature. Specifically, the estimated coefficient of oil in all equations is positive, although it lacks statistical significance. It is unsurprising that many oil exporting countries with significant oil revenues also experience significant socioeconomic challenges. These challenges often include high poverty rates, inadequate healthcare services, elevated rates of child mortality, and underdeveloped educational systems, among other issues (Karl, 2007). Despite having significant oil wealth, Nigeria is still one of the most impoverished nations in Africa. The utilisation of Nigeria's substantial oil revenues over the years has been found to be lacking in benefiting the overall welfare of the country, as indicated by several recent studies (Eric, 2008, Isham et al., 2005, Sala-i-Martin et al., 2003). By examining Nigeria as a case study and analysing the revenue generated in the oil sector over the years in relation to the country's economic growth, it becomes evident that the findings support the resource curse theory.

The study reveals that both oil revenue and non-oil revenue have a significant and lasting effect on economic growth. The study has provided evidence supporting the assertion that there exists a long-term connection between oil revenue and economic growth. Additionally, it has found a similar long-term relationship between non-oil revenue and economic growth. In contrast, it is worth noting that there exists a short-term correlation between oil revenue and economic growth. Additionally, there is also a short-term correlation between non-oil revenue and economic growth. The results indicate a positive and significant relationship between oil revenue, non-oil revenue, and economic growth, aligning with the expected theoretical assumption. During the 1960s, 1970s, and 1990s, there was a strategic allocation of the country's generated revenue towards the provision of essential social amenities. This approach resulted in notable advancements in economic growth and overall development. Over the course of several decades, there has been a noticeable shift in leadership, with corrupt politicians assuming power (Babasanya et al., 2017). These individuals prioritise personal gain through the misappropriation of national funds, rather than the well-being of Nigerian citizens.

**5.2. Conclusions**

Research and statistical analysis consistently indicate that a substantial government investment in the non-oil sector is advisable. This recommendation is not based on the sector being historically overlooked, but rather on its potential to generate significant revenue for the government through various means such as taxation, agriculture, and entertainment, among others. The significance of these sectors can be attributed to the attention governments have given them over time, resulting in a positive effect of increasing the government's revenue base in Nigeria. The outcome aligns with the empirical research conducted by Salami, Amusa, and Ojoye (2018), which found that the non-oil sector made a positive and significant contribution to economic growth in Nigeria. The statement suggests that both in the short term and long term, the non-oil sectors have made substantial and positive contributions to Nigeria's economic growth. The study supports the empirical conclusion made by Kromtit, Kanadi, Ndangra, and Lado (2017) that the non-oil sector has a substantial and positive impact on economic growth. The result obtained in this study confirms the previous empirical finding by Aladejare and Saidi (2014) that there exists a long-term relationship between non-oil contributions and economic growth in Nigeria. The significance of these sectors can be explained by the consistent attention they have received from governments over time. This attention has had a positive impact on the government's revenue base in Nigeria, leading to increased financial gains. This study, like previous studies, explores various factors and reasons contributing to the ineffective and inefficient utilisation of oil rent in Nigeria.

The mismanagement of revenues earned from oil exports over the decades can be attributed to various factors such as corruption, rent-seeking, wastage, inefficiency, and poor governance. This is evident through the lack of accountability and transparency in the government's affairs. The majority of the oil wealth has been diverted away from the formal system, rather than being directed towards productive endeavours that could generate employment, increase income, enhance living conditions, eliminate poverty, and stimulate overall economic progress and advancement. As long as these phenomena persist in Nigeria, the country's oil wealth will continue to be misused by a select few individuals, including politicians, policy makers, oil marketers, and their international collaborators. This will have negative consequences for the majority of the population. The current state of affairs in Nigeria is not viable in the long term, and it is necessary to take action to bring about meaningful changes that will enable oil to contribute positively to the country's economic development. Assessing the potential for the current administration of President Bola Ahmed Tinubu to bring about positive change and alter the existing unfavourable status quo is a complex task.

**5.3. Recommendations**

Reducing reliance on fluctuating crude oil can benefit the economy by allowing other sectors to thrive. Private sector owners and managers can increase their net worth by transitioning from oil businesses to non-oil sector businesses such as health, finance, trade, power, and ICT. This is different from the common trend of diverting into agriculture and manufacturing. Diversifying the economy away from oil is crucial to reduce dependence on it as the main source of government revenue and RGDP. Non-oil sectors like environmental, ICT, and financial should receive equal funding and resources to ensure positive outputs and contributions. Based on the following results, the following recommendations are made:

1. Simultaneous funding should be allocated to all sectors.
2. Nigerians should elect credible and trusted individuals who will use oil and non-oil revenue wisely to improve living standards and develop the country.
3. Maintain and expand existing refineries to increase production and export refined petroleum products for economic development.
4. Reduced interest rate loans should be provided to domestic investors in Nigeria's non-oil sectors, particularly agriculture and manufacturing.
5. Government should encourage investors to invest in oil and non-oil sectors by providing basic infrastructure like power supply, road network, communication system, and water supply to increase revenue.

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APPENDIX

**Annual Data Sets**

# Table 1: Data set of the Logarithm of Oil Revenue, Non-oil Revenue, Real Growth Domestic Products, and Exchange Rate

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Years** | **LNOIL** | **LOL** | **GDP** | **LEX** |
| **2002** | 2.14 | 2.51 | 4.35 | 2.44 |
| **2003** | 2.35 | 2.86 | 4.35 | 1.85 |
| **2004** | 2.50 | 3.20 | 4.37 | 1.84 |
| **2005** | 2.96 | 3.23 | 4.40 | 1.89 |
| **2006** | 2.70 | 3.09 | 4.46 | 1.89 |
| **2007** | 2.70 | 3.32 | 4.50 | 1.86 |
| **2008** | 2.75 | 3.53 | 4.54 | 1.87 |
| **2009** | 2.89 | 3.68 | 4.57 | 1.93 |
| **2010** | 2.83 | 3.72 | 4.60 | 1.96 |
| **2011** | 3.10 | 3.65 | 4.63 | 1.95 |
| **2012** | 3.13 | 3.81 | 4.66 | 2.00 |
| **2013** | 3.22 | 3.50 | 4.70 | 1.96 |
| **2014** | 3.28 | 3.73 | 4.74 | 2.00 |
| **2015** | 3.35 | 3.95 | 4.76 | 2.00 |
| **2016** | 3.42 | 3.90 | 4.78 | 2.05 |
| **2017** | 3.47 | 3.83 | 4.80 | 2.07 |
| **2018** | 3.52 | 3.83 | 4.83 | 2.10 |
| **2019** | 3.49 | 3.58 | 4.84 | 2.29 |
| **2020** | 3.47 | 3.43 | 4.83 | 2.48 |
| **2021** | 3.51 | 3.61 | 4.84 | 2.49 |
| **2022** | 3.55 | 3.68 | 4.87 | 2.52 |