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A Survey on Source of Non-Oil Revenue Generation in Nigeria

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ABSTRACT
This study is on a survey on source of non-oil revenue generation in Nigeria a case study of Kwara State, Nigeria. The variables for non oil are: Value Added Tax, Companies Income Tax, Personal Income Tax, Custom & Excise Duties, Agricultural product tax, Market dues, State court fines and Real estate property tax. The objectives of this study were to identify the sources of non-oil revenue generation, to indentify the Challenges of non-oil Revenue generation and to determine whether the source of non-oil revenue generation is independent of the challenges, 2500 questionnaire was distributed across the respondents in the three (3) senatorial district of Kwara State and 2271 questionnaire was returned by the respondents. The statistical tools employed in this study is Relative Important Index (RII) and chi square independent test to indentify the important variable among the non oil and determine the source of non oil revenue generation is independent of challenges face by non oil revenue generation. The results reveals that Custom and Excise Duties and Companies' Income Tax are the major source of non oil revenue generation and the source of non-oil revenue generation is dependent of the challenges. It is therefore recommend that Government should make efforts of diversifying the economy away from oil in order to encourage the generation of revenue by non-oil sectors

Keywords: Value Added Tax, Companies Income Tax, Personal Income Tax, Custom & Excise Duties, Relative Important Index (RII)

I INTRODUCTION

One of the greatest desires of every nation is to build a resilient economic system that is self sustaining, highly competitive, and externally visible. As a result, no matter how developed a country is, she must have to seek the assistance of other countries. This justifies the reason why different countries of the world engage in one form of trading activity or the other.

Before Nigeria gained her independence in 1960, her economy was mainly dominated by trade and export since there was no viable industrial sector that was able to sustain the Nigerian economy. This therefore suggests that export is important for the survival of every economy even when all activities fail. However, from 1963 to 1964, the non-oil sector (agricultural and solid mineral sub-sector) then served as both the mainstay of the Nigerian economy and the greatest foreign exchange earner as it contributed about 65% of the nation's aggregate income [1,2]

To further substantiate this, [3] stated that one major factor which made the non-oil sector in Nigeria become the leading sector from 1963 to 1964 after Nigeria gained her independence was as a result of the fact that more than 70% of the Nigerian population resided in rural areas with agriculture as their major occupation. However, the oil boom which occurred between 1973 and 1974 changed the economic status quo of the Nigerian economy as it worked in favour of the oil sector. This invariably led to a total neglect of the richly agro productiveness of the country.

Furthermore, [4,5] however noted that though the oil sector has contributed immensely to the growth of emerging economies like Nigeria yet it has not been a reliable source of revenue due to the double shock of oil price decline coupled with the outbreak of covid'19 pandemic. This therefore suggests that the near-total dependence on the oil sector having considered its level of volatility has dire implications for emerging economies, especially the oil producing ones including Nigeria.

In view of the above, [6] argued that diversification is very essential since crude oil is an exhaustible asset and its reliance can no longer sustain the Nigerian economy. He added that options for diversifying an economy is countless, and it ranges from agriculture, financial services, mining, industrialization, tourism, entertainment, and information and communication technology.

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The Ministry of Finance, Budget and Planning in 2020, stressed that the reasons why the diversification of the Nigerian economy is imperative is made more manifest from the consultative forum of the Minister of Finance, Budget and Planning and the Organized Private Sector held on 10th July, 2020 concerning the impact of Global pandemic caused by COVID'19 on the implementation of the national budget. The forum highlighted that the over dependence on crude oil prices made the Nigerian economy to be more susceptible to recent global economic shock caused by the Covid'19 Pandemic [7]. In this light, [8] stressed that for the non-oil sector to contribute immensely to the growth of the Nigerian economy, efforts must be made to consider those factors that may either inhibit or improve non-oil sector's export growth. Again, they should also consider the degree of responsiveness of the exporter to changes in both price and non-price conditions.

In the same, [9] study Non-oil Exports and the Growth of the Nigerian Economy where his study revealed that that all non-oil export indicators exerted high statistical significant effect on economic growth with the exception of agricultural and manufacturing product export. Therefore, this research work study the survey on source of non-oil revenue generation in Nigeria

II METHODLOGY

In this study, populations of the study are people from Kwara state which would be sample out based on stratified sampling technique in which the population was grouped homogeneously by grouping them based on two (2) local government from each senatorial district in the state. The senatorial district include Kwara North Senatorial District, Kwara Central Senatorial District and Kwara South Senatorial District in Nigerian, in which 2500 questionnaires will distributed across the senatorial district in Kwara State.

Sampling Technique and Sample Size

Choosing a study sample is an important step in any research project since it is rarely practical, efficient or ethical to study whole populations. The right choice for the element of the sample so as to make it representative of the population is important.

The sample size was derived through the following formula.

$$S = \frac{N}{1 + N\,(E)2}$$

Where:

S = sample size

N = population of the study

E = margin of error used (5%)

$$S = \frac{2500}{1 + 2500\,(0.05)2} = 400$$

A total sample of 400 questionnaire would be distributed across each strata from the local government each senatorial district that is Offa, Oyun, Moro, Edu, Ilorin South and Ilorin West Local Government of Kwara State, Nigeria

Relative Importance Index(RII).

The five-point scale was transformed to relative importance index(RII).

$$RII = \frac{5n1+4n2+3n3+2n4+1n5}{5N} \quad \ldots\ldots\ldots\ldots\ldots\ldots 1$$

Where

n_5=Number of respondent for strongly agree, n_4=Number of respondent for agree

n_3=Number of respondent for neutral, n_2=Number of respondent for strongly disagree

n_1=Number of respondent for disagree

Chi-Square Analysis

This is the tool used for the analysis of our statistical data. This method will be employed to test for the independence. This method is also used when we wish to compare the actual observed distribution against the hypothesis (Expected) distribution. Chi-square test is also known as a goodness of fit test.

$$\chi^2 = \sum_{i=1}^{r}\sum_{j=1}^{c}\frac{(o_{ij} - e_{ij})2}{e_{ij}} \sim \chi^2_{(r=1)(c=1)}$$

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III RESULTS AND DISCUSSION

Table 1: Distribution of Questionnaires Administered and Returned

	Frequency	Percentage (%)
Questionnaires Administered	2400	100
Questionnaires Retrieved	2271	95
Questionnaires not returned	129	5

Source: Field survey (2022)

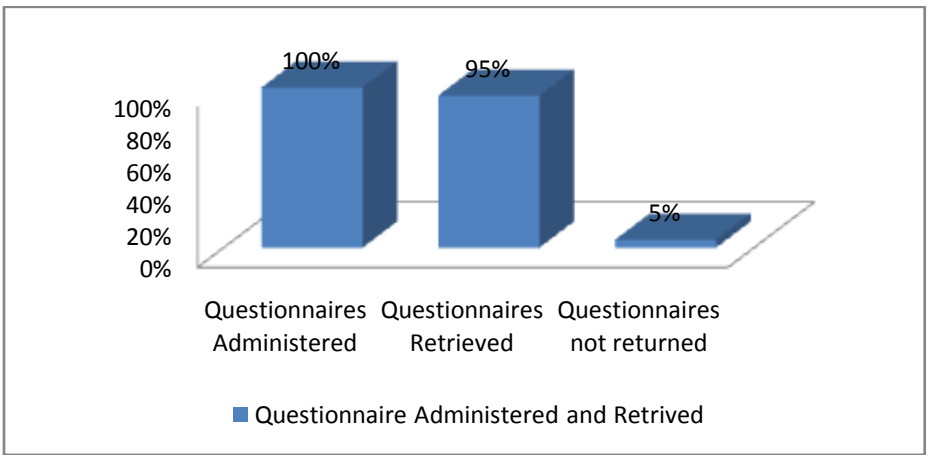

Figure 1: Bar Chart showing the numbers of questionnaires administered, retrieved and valid for the research

Table 2: Summary Statistics from the Senatorial District in Kwara State, Nigeria

Senatorial District	Frequency	Percentage (%)	Mean
Kwara South	773	34	2.0097
Kwara Central	703	31	
Kwara North	795	35	
Total	**2271**	**100**	

Source: Field survey (2022)

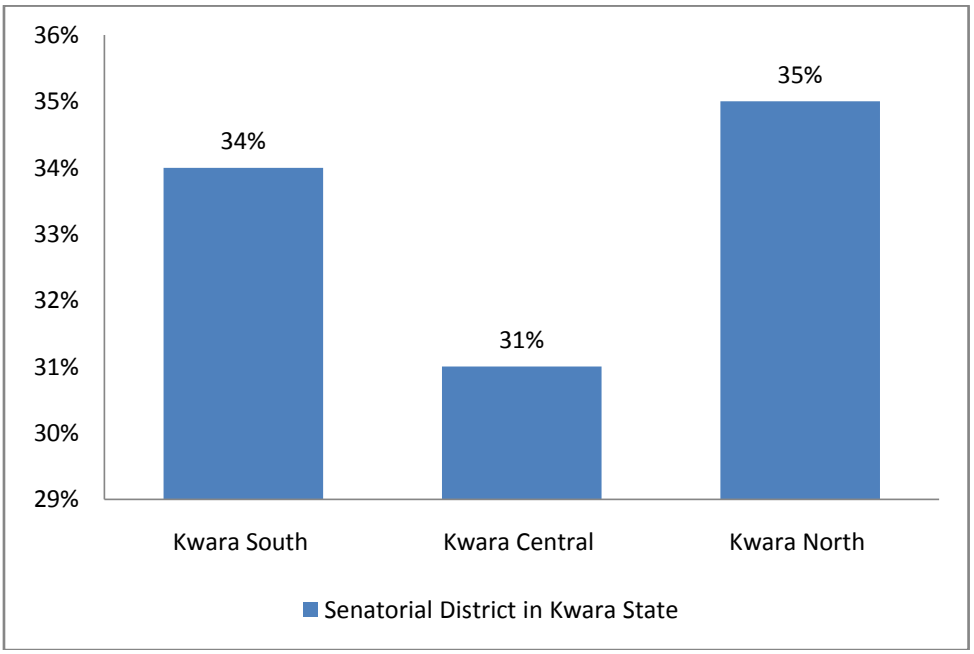

Figure2: Bar Chart showing the Senatorial District in Kwara State, Nigeria

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Table 3: Identification of the sources of non-oil revenue generation

	SUM	RII	RANK
Companies' Income Tax (CIT)	8829	0.7775	2
Personal Income Tax (PIT)	6901	0.6077	7
Value Added Tax (VAT)	8361	0.7363	3
Custom and Excise Duties (CED)	9620	0.847	1
Agricultural product tax	7735	0.6811	4
Market dues	6506	0.5730	8
State court fines	6942	0.6114	6
Real estate property tax	7683	0.6766	5

Source: Field survey (2022)

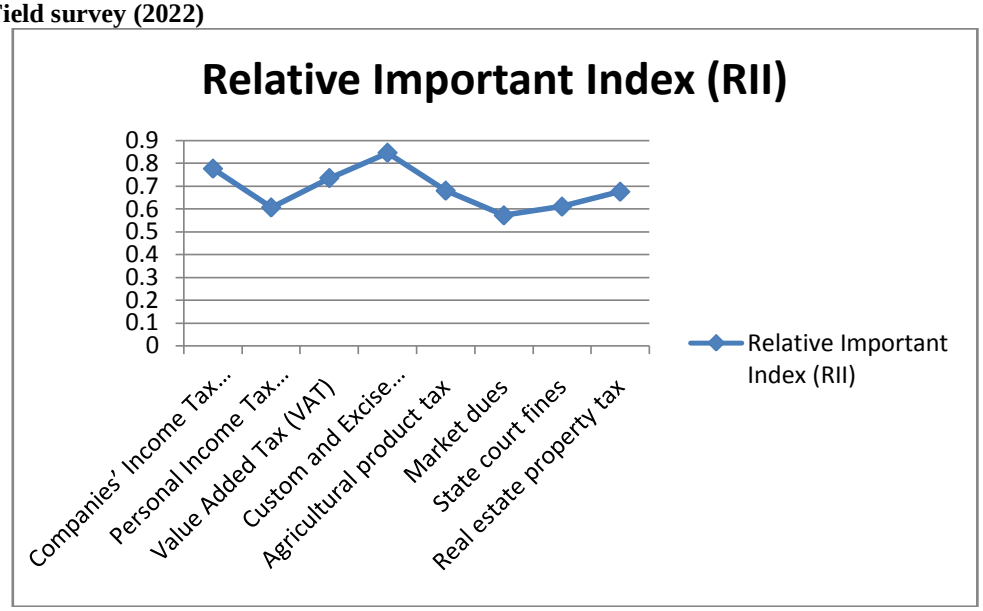

Figure 3: Line Plot of RII on Identification of the sources of non-oil revenue generation

Relative Important Index (RII) was adopted to understand the most important factor identification of the source of non-oil revenue generation. The most important factor identified by the respondents is Custom and Excise Duties with RII of 0.847, the second most important factor is Companies' Income Tax with RII of 0.7775while Value Added Tax was rated third with 0.7363.

Table 4: Identification of the Challenges of non-oil Revenue generation

	SUM	RII	RANK
Tax evasion	8435	0.7428	4
Personal Income Tax (PIT)	9703	0.8545	1
Lack of social amenities discourage citizens from paying tax	9003	0.7929	3
Poor coverage of tax collection authority of taxable items	6977	0.6144	6
Lack of tax officials	8042	0.7082	5
Poor standard of living	9023	0.7946	2

Source: Field survey (2022)

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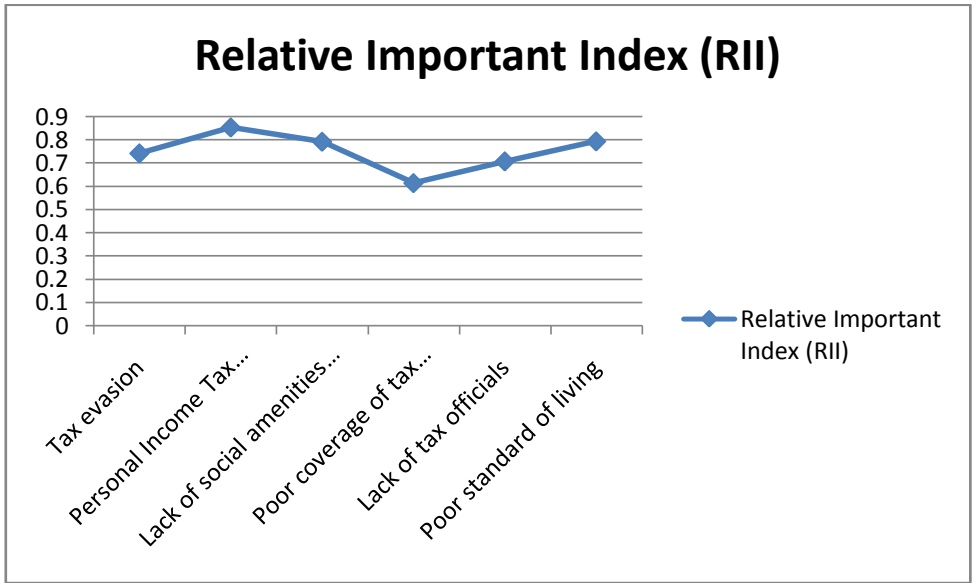

Figure 4: Line Plot of RII on identification of the Challenges of non-oil Revenue generation

From the above table and figure 4 shows the RII on the identification of the Challenges of non-oil Revenue generation. The table reveals that Personal Income Tax (PIT) as the most challenges of non-oil revenue generation with RII of 0.8545 follow by Poor standard of living with RII of 0.7946 and the least among the challenges face by the non-oil revenue generation is Poor coverage of tax collection authority of taxable items with RII of 0.6144

Chi Square Independent Test

Table 5: Chi-square Independent test for Source of non oil revenue generation and challenges face in non oil generation

	Tax evasion	Personal Income Tax (PIT)	Lack of social amenities discourage citizens from paying tax	Poor coverage of tax collection authority of taxable items	Lack of tax officials	Poor standard of living
	Chi square value (p-value)	Chi square value (p-value)	Chi square value (p-value)	Chi square value (p-value)	Chi square value (p-value)	Chi square value (p-value)
Companies' Income Tax (CIT)	1153.701(0.000)	211.072(0.000)	833.287(0.000)	1458(0.000)	903.0223(0.000)	804.934(0.000)
Personal Income Tax (PIT)	546.462(0.000)	573.368(0.000)	465.463(0.000)	859.584(0.000)	522.750(0.000)	822.701(0.000)
Value Added Tax (VAT)	1179.726(0.000)	884.730 (0.000)	1185.930(0.000)	1845.748(0.000)	1865.006(0.000)	1305.160 (0.000)
Custom and Excise Duties (CED)	474.982(0.000)	1498.525(0.000)	629.291(0.000)	1091.321(0.000)	1260.659(0.000)	1120.194 (0.000)

Agricultural product tax	861.247(0.000)	386.596(0.000)	1403.299(0.000)	2134.798(0.000)	1794.557(0.000)	709.001(0.000)
Market dues	626.830(0.000)	406.619(0.000)	565.021(0.000)	765.794(0.000)	851.492(0.000)	652.649(0.000)
State court fines	1191.661(0.000)	484.170(0.000)	969.760(0.000)	1613.224(0.000)	1346.539(0.000)	1373.356 (0.000)
Real estate property tax	599.042(0.000)	223.494(0.000)	862.137(0.000)	929.105(0.000)	587.081(0.000)	1027.579 (0.000)

Source: Field survey (2022)

The above table 5 shows the results of chi square independent test on source of non oil revenue generation and challenges face in non oil generation which aimed at determining the relationship between source of non-oil revenue generation and challenges faced by the non-oil revenue generation. The result reveals source of non-oil revenue generation is dependent of the challenges in Kwara State.

IV CONCLUSION

Based on the findings of this study, we therefore conclude that the source of non oil revenue generation in Kwara State is Custom and Excise Duties follow by Companies' Income Tax and the least of the non oil revenue generation is Market dues and assessing the most significant source of revenue generation reveals that Real estate property tax has the most significant source of revenue generation by in the state. The challenges face on non oil revenue generation Personal Income Tax and Poor standard of living with highest relative important index as indicate by the respondents and least of the challenges is Poor coverage of tax collection authority of taxable
However the chi-square independent test shows that the source of non-oil revenue generation is dependent of the challenges in Kwara State, Nigerian.

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