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TAX EVASION AND NON-OIL REVENUE ADMINISTRATION IN NIGERIA

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Abstract: The relationship between tax evasion and non-oil revenue in Nigeria was investigated in this study. The study's specific objectives were to investigate how corruption perception index and revenue leakages through tax evasion impact non-oil revenue in Nigeria. Secondary monthly data from 2015M1 till 2022M12 and the study's data were taken from the Central Bank of Nigeria's annual reports and the Nigerian Federal Inland Revenue Services' yearly reports. The sourced data was estimated using the multiple regression technique. The unit root test showed that all the variables were stationary at levels. Findings showed that corruption perception index and revenue leakages through tax evasion negatively and significantly impact non-oil revenue in Nigeria. Therefore, the research suggested that in order to penalize those who commit tax evasion, the government's tax rules should be examined on a regular basis.

Keywords: Tax evasion; corruption; non-oil revenue; taxation; public administration issues.

1. Introduction

Non-oil tax revenue is a type of revenue that is generated from any other source other than oil and gas activities (Adegbola, 2003). It is money received from both direct and indirect sources that is owed by economic sectors other than the oil industry. Non-oil taxes in Nigeria include Company Income Tax (CIT), Value added Tax

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(VAT), Capital Gain Tax (CGT), Customs and Excise Duty (CED). Custom and Excise Duty can be said to be the oldest form of tax existence. There is no doubt that for the government, tax evasion has been a major worry and it has had a great impact on the revenue of the government majorly the non-oil revenue of the government. Tax evasion has brought about a huge difference in the actual and budgeted revenue of the government thereby making it hard for the government to fulfill its obligations such as providing social amenities and making the country more conducive for the citizens to live in. Another problem associated with tax evasion in Nigeria is the negative impact it has on honest taxpayers in the country. Tax evaders tend to discourage honest taxpayers from paying taxes because they are left to shoulder a larger portion of tax liabilities than they should, Tax evasion erodes public confidence in the government's ability to ensure equal resource allocation and compromises the general efficacy and fairness of the tax system. According to (Kim, 2019) social norms is a factor influencing Tax evasion. The concepts that members of society adhere to in order to maintain their self-control, way of thinking, or behavior - regardless of the rules or consequences enforced by the state - are known as social norms. Tax evasion is immoral and illegal since it reduces government revenue and impedes general economic growth. Tax evasion refers to the act of hiding taxes by submitting fictitious information, declarations, or documents (Bahadur, 2018). Given the high tax rates in a nation and the potential for the government to fail in allocating the tax revenue to necessary infrastructure, people or corporations may deliberately choose not to pay taxes by hiding the actual state of their operations. Deciding not to file tax returns with the appropriate tax authorities in Nigeria is a common way for people to evade paying taxes (Modugu, 2014).

Tax evasion is a major challenge faced by most developing countries, with the unending rate of corruption in the country tax evasion is seen to be peculiar to Nigeria. The rate of tax evasion in developing countries is so worrisome and it is more disturbing that the governments of the countries have not deemed it fit to look into the supposed ethical reasons provided by the tax evaders, the extent of the evasion and the impact of tax evasion on the income being generated from tax (Fagbemi, 2010). Most countries tend to increase their tax rates or borrowings when their revenues cannot cover their expenditures anymore this leads them to debt and also affects the private sectors of their economy. Private individuals, organizations evade taxes by refusing to disclose their true financial statements due to the extremely high tax rate in the economy and the government not utilizing the tax revenue for the development of the economy, providing infrastructural facilities (Modugu, 2014). Although tax evasion is illegal, there are a number of justifications put forth to support it. These include high tax rates, joblessness, poverty, a lack of

knowledge of misconduct in public office, insufficient education for tax administrators, stealing of tax revenues, tax legislation loopholes, challenges comprehending complicated laws regarding taxes, an inefficient legal system, and the judiciary's failure to enforce significant legislation against taxpayers who fail to pay taxes (Mughal, 2012).

Tax evasion has a negative impact on the economy and its revenue. Tax evasion has brought about a huge gap between the actual and budgeted revenue of the government. This research aims to bridge this gap.

1.1 Research objectives

The main objective of this research is to assess the impact of tax evasion on non-oil government revenue.

Thus, the following are the secondary objectives of research:

- To evaluate the impact of revenue leakage on non-oil government revenue.
- To determine how corruption affects government revenue from sources other than oil.

1.2 Research hypothesis

H01: The non-oil government's revenue is not significantly impacted by revenue leaks.

H02: Non-oil government revenue is not significantly impacted by corruption.

2. Literature review

2.1. Conceptual review

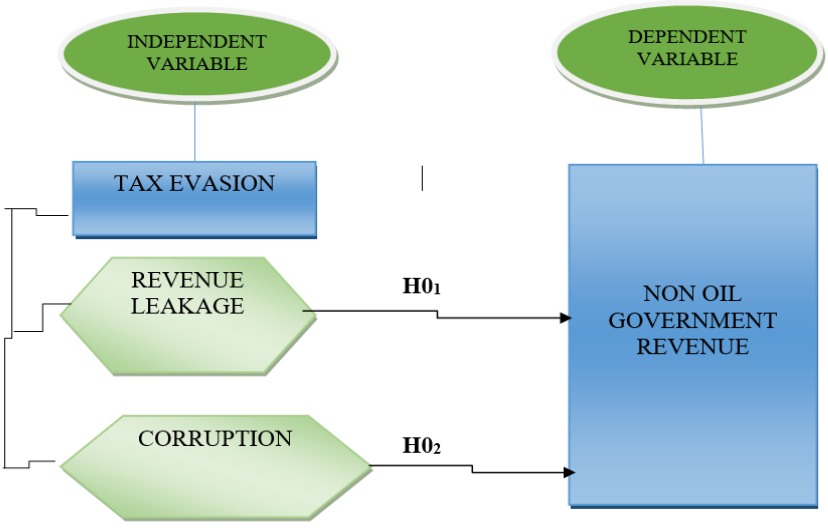

Figure 1. Conceptual framework
Source: Authors' own processing.

2.1.1 Tax evasion

Tax evasion poses a significant challenge for numerous countries, as it can substantially impede economic development by diminishing government revenue through failure to fulfill tax obligations (Picur & Riahi-Belkaoui, 2016). This issue extends beyond its impact on tax authorities and governments; it also affects taxpayers directly. Citizens, in their capacity as taxpayers, may find themselves deprived of essential state services when tax evasion reduces government funds (Turner, 2010). Consequently, the repercussions of tax evasion extend to everyday life and overall social welfare, highlighting its broader societal implications (Russo, 2010). Tax evasion constitutes the deliberate and illicit act of not paying or underpaying taxes, as succinctly paraphrased by Alm (2012). It involves illegal activities including making false financial documents, inflating deductions, and understating income. But, as Desai and Dharmapala (2019) explain, the legal employment of strategies to lower one's tax obligations is known as tax avoidance. Redirecting revenue or postponing income are a few examples of tax avoidance strategies and altering the nature of income.

Governments cannot solely rely on taxpayers' moral sense of duty to remit tax returns after announcing a tax system, as highlighted by Slemrod (2017). While some dutiful individuals willingly pay the taxes they owe, a substantial number choose not to comply. Large corporations, too, have avenues for tax evasion, such as profit shifting, erosion of the tax base, relocating operations to 'tax havens,' or investing in offshore ventures where taxation is non-applicable domestically (Haufler & Schjelderup, 2020). Excessive tax burdens on taxpayers may cause conflicts between the state's readiness to levy taxes and the desire of the public to pay them. Documented evidence suggests that such tensions can foster tax avoidance, leading to revolts and revolutions. The pressure of high tax burdens may drive individuals and corporations to seek ways to reduce their tax liability, including the evasion of tax payments whenever feasible (Slemrod, 2017).

2.1.2 Factors that promote tax evasion and its consequences

Several factors contribute to the challenges faced by governments in effective tax collection and the emergence of tax evasion. These factors include: high tax rates, technological advancement, ineffective techniques for tax enforcement, inaccurate tax records or data and corrupt practices (Changer & Wilde, 2012). Tax evasion has significant consequences for a country's economic landscape. As Slemrod (2017) suggests, when individuals and businesses engage in tax evasion, the government experiences financial difficulties due to a shortfall in revenue. This shortage hampers the government's ability to intervene effectively in the economy. With insufficient funds, governments may struggle to implement sound economic policies, hindering their capacity to address economic challenges, stimulate growth, and provide

necessary public goods and services. Ultimately, tax evasion weakens the fiscal foundation upon which effective government intervention relies. Yamamura (2014) highlights another consequence of tax evasion—the redistribution of the tax burden. When certain individuals or entities successfully evade taxes, the burden of financing government activities and public services falls disproportionately on compliant taxpayers. This unequal distribution can lead to social and economic disparities, as those who evade taxes avoid contributing their fair share to the collective welfare. As a result, compliant taxpayers may bear a heavier burden, potentially eroding trust in the tax system and leading to resentment among the populace. Tax evasion also affects the costs associated with raising taxes, as noted by Slemrod (2017). Governments often incur expenses in enforcing tax compliance, investigating evasion cases, and implementing measures to close loopholes. Additionally, the need to counter tax evasion may lead to the introduction of more complex and resource-intensive tax systems. These elevated costs can divert resources away from productive economic activities and create an additional burden on compliant taxpayers, exacerbating the challenges associated with maintaining a fair and efficient tax system.

The financial strain resulting from tax evasion contributes to challenges in funding the government's budget, leading to fiscal deficits. As mentioned by Ghosh (1995), when governments face revenue shortfalls due to widespread tax evasion, they may resort to borrowing money from external sources such as other countries or international financial institutions like the International Monetary Fund (IMF). This dependence on external borrowing places additional strain on the country's economy, potentially leading to a cycle of debt and further economic vulnerabilities. It underscores the broader consequences of tax evasion on a country's capacity to sustain its economy and pay for its internal needs.

2.1.3 Addressing tax evasion

Informational Source

Understanding and combating tax evasion pose considerable challenges due to the absence of a singular information source that comprehensively captures its nuances. As noted by Bazart et al. (2017), tax authorities employ a combination of formal and informal sources to gather information on tax evasion. Random audits represent a formal method, enabling authorities to estimate the tax gap by identifying unreported income and unpaid taxes.

Ethics and Tax Evasion

The ethical dimensions of tax evasion are complex and often debated. McGee (2006) outlines three fundamental perspectives on the ethics of tax evasion. The first stance asserts that tax evasion is inherently unethical, while the second questions the legitimacy of the state to impose taxes, considering it morally illegitimate. The third

viewpoint introduces nuance, acknowledging that the ethicality of tax evasion may vary based on circumstances.

2.1.4. Non-oil government revenue and connection to tax evasion

The amount of money received by the government from sources other than the petroleum industry is known as non-oil revenue. Ihendinihu et al. (2014) have delineated revenue sources that are not linked to the oil industry. Funds derived by the Nigerian government from non-oil sources are referred to as non-oil government revenue. The majority of these are large-scale taxes, including personal income tax, corporation income tax, value-added tax, customs and excise duties, loans, grants, licenses, and earnings from a variety of industries, including banking, insurance, agriculture, mining, telecommunications, tourism, transportation, and the selling of natural resources, such as copper, tin, gold, and limestone (Oladeji, 2015). The widespread belief that the non-oil sector is restricted to mining and agriculture is refuted by this all-encompassing viewpoint, as stated by (Dauda et al., 2009). However, it is recognized that the country's economy greatly benefits from agriculture (Agbaeze, Udeh & Onwuka, 2015).

According to Azubuike (2019), the act of tax evasion has a significant impact on non-oil government revenue, placing strain on public finances and impeding governments' capacity to provide funding for infrastructure and other services. Beyond the short-term fiscal losses, tax evasion has long-term effects on social justice, general economic stability, and the efficacy of governmental policy. This essay will examine the complex relationship between tax evasion and non-oil government revenue from the viewpoints of governance, society, and the economy (Agbaeze et al., 2015). At the economic level, tax evasion undermines the stability of non-oil government revenue streams, leading to budgetary shortfalls and fiscal imbalances. Governments heavily rely on taxes to finance public expenditures, including education, healthcare, and infrastructure development (Amahalu et al., 2019). The government loses vital revenue that it needs to provide these basic services when people and companies avoid paying taxes. This deficiency in revenue often forces governments to resort to borrowing or austerity measures, potentially compromising economic growth and public welfare.

2.2 Theoretical review

2.2.1 The economics of crime model

Economist Gary Becker first established the idea in 1968 with the intention of addressing the problem of keeping criminals from committing crimes and challenging the value of crime prevention (Becker, 1968). Allingham and Sandmo in 1972 introduced the "economics of crime model," the basic theory of much compliance research, to tax compliance for the first time in 1972.

According to Osoro Nehemiah (1995), the theory suggests that people who are rational attempt to maximize the predicted utility of tax evasion by balancing the advantages of being caught and punished against the possible dangers of not being caught. According to this viewpoint, the severity of the penalties meted out to violators and audit verifications have the greatest impact on compliance. The model predictably comes to the conclusion that as detection probabilities, penalty rates, and audit and verification frequency grow, so does the likelihood of compliance.

Nevertheless, observers soon realize that financial factors—especially those related to enforcement levels—do not adequately account for compliance. A strictly economic study of the evasion option suggests that since the odds of being discovered and penalized for such acts are extremely low, sensible people might decide to over-report deductions that are not independently verified or underreport income that is not subject to source withholding. Factors such as corruption may encourage taxpayers to accept the risk despite potentially high audit and verification levels and penalty rates since they believe there is a chance they may avoid detection and penalties.

This theory views behavior that is criminal in nature as decisions made individually as a result of weighing the costs and benefits. An example of this criminal behavior is tax evasion. This opines that people perform illegal activities when they discover that the benefits outweigh the expected costs.

2.2.2 Tax elasticity of evasion

The Tax Elasticity of Evasion theory, propounded by James M. Buchanan and Gordon Tullock in the mid-20th century (1919), is grounded in the rational choice framework of economics According to the hypothesis, people weigh the costs and benefits of engaging in tax evasion before making an informed choice (Fack & Landais, 2016). The central idea is that the elasticity of tax evasion—the responsiveness of evasion behavior to changes in economic variables—affects individuals' decisions. This hypothesis states that people assess the predicted costs of tax evasion against any potential benefits, such as increased disposable income, including the likelihood of being caught and the severity of penalties. People are inclined to evade taxes if they believe the advantages exceed the disadvantages. Within the framework of non-oil government revenue, policymakers can use this theory to predict how changes in tax policies, rates, or enforcement measures might influence the level of tax evasion and, consequently, the revenue generated from non-oil sources.

2.2.3 Slippery Slope Framework

The Slippery Slope Framework, developed by Joel Slemrod and Shlomo Yitzhaki, (1824) shifts the focus from purely economic incentives to the behavioral aspects influencing tax evasion. This theory draws on insights from behavioral economics, suggesting that tax evasion is not a one-time decision but a gradual process

influenced by psychological and social factors (Kirchler et al., 2008). The framework introduces the concept of a "slippery slope," where individuals may start with minor forms of non-compliance, such as underreporting income or exploiting loopholes. Over time, these behaviors can become normalized, leading to a gradual escalation into more significant forms of tax evasion. Social norms, peer influence, and the perception of fairness play crucial roles in this process.

In the context of non-oil government revenue, The Slippery Slope Framework emphasizes the significance of understanding the behavioral dynamics that contribute to tax evasion. In addition to economic considerations, policymakers seeking to increase revenue from non-oil sectors may also need to take social and psychological elements into account that shape individuals' compliance decisions. Designing interventions that address the gradual nature of tax evasion and the factors contributing to its escalation can be essential for developing effective and sustainable strategies for revenue enhancement.

2.3 Empirical review

Mu et al. (2023) conducted a study to explore the impact of psychological egoism, tax evasion, and other pertinent factors on the tax revenue collection performance in the Amhara Region of Ethiopia. The research involved 395 VAT-registered taxpayers who participated by completing a structured questionnaire. The empirical analysis utilized both multiple regression analysis and the structural equation model, with the data being processed using SPSS and AMOS software. The findings of the study revealed that tax evasion and psychological egoism had a negative influence on the effectiveness of tax revenue collection.

Kumi-Dumor et al. (2022) investigated the root causes of tax evasion and avoidance in the Western Region of Ghana's Sekondi-Takoradi Metropolitan Assembly. The findings demonstrated that there are distinct behavioral variations between men and women in this scenario and that tax evasion is more common in the retail sector. Moerenhout and Yang (2022) examined Lower-middle income nations, particularly those with sizable informal economies like Nigeria, which have long struggled with the need to tax small businesses in order to raise revenue while also trying to create a sustainable tax structure for these businesses that promote economic growth. The paper investigates the factors that influence small businesses' tax morale in lower-middle-income nations. The article's goal is to find out what factors influence small businesses' perceptions about their potential to evade paying profits taxes, or tax morale. The goal is to create regressions that can support and investigate theories regarding small enterprises' attitudes towards tax evasion by utilizing a recently developed, highly powerful small firm survey in Nigeria. Approach and Methodology: We employ a recently established nationally inclusive dataset comprising 8,000 small enterprises in Nigeria, the leading economy in Africa. This

dataset was generated through face-to-face interviews carried out during the summer of 2018. In order to identify key factors influencing the tax morale of small businesses in Nigeria, we conduct an ordinary least squares (OLS) regression analysis utilizing an extensive array of explanatory variables derived from the substantial sample size of our survey.

Conclusions: In Nigeria, it seems that the dimensions of business development and norms are more important. When small businesses have greater faith in the government, their tax morale seems to be higher. Nevertheless, companies' morale is noticeably lower when they believe corruption to be fairly common. Businesses that are more optimistic about their own growth and registration appear to be in better tax spirits. Policy implications: In Nigerian society, small enterprises play a crucial role as both employers and catalysts for economic growth. However, according to our survey, Nigerian small firms' tax compliance rates are still incredibly low. Examining the tax compliance and morale of small firms is crucial to developing measures to incorporate them into the tax base for the good of the entire country. In particular, the findings suggest that increasing trust in corporate and governmental development projects is essential to increasing tax compliance rates.

Abdixhiku et al. (2018) conducted a study that utilized data from the Business Environment and Enterprise Performance Survey for the years 1999, 2002, and 2005 to examine the issue of business tax evasion in 24 transition economies. In addition to the traditional fixed effects estimation method, they also employed the Fixed Effect Vector Decomposition approach, which is a more recent development. The key finding of their research emphasizes the significance of institutional factors. Specifically, the study highlights how the amount of taxes paid by businesses in transition economies is significantly influenced by the slower pace of transition reforms and the prevalence of corruption within tax administration. In addition, we find some small effects of the macroeconomic environment and a positive link between tax rate and evasion. We also find that societal norms have a significant role in tax evasion. These findings offer direction for policy suggestions aimed at reducing the likelihood and/or propensity to evade.

Guth et al. (2005) In a multi-family overlapping generations experiment, participants can either rely on tax-financed old-age support or personally support their parents, which will lessen their tax burden. The factor used to multiply total tax receipts in order to calculate old-age support represents state productivity. The range of this factor is methodically adjusted from 0.75 to 1.25. Payment of taxes is based on the endowment disclosed. Evading taxes is doable, but it's closely watched. Our findings imply that neither tax evasion nor direct parental support is impacted by state productivity. Rich endowments have the primary impact of causing high (and more the act of evading taxes regularly and receiving relatively minimal assistance from one's parents).

Mvunabandi et al. (2024) conducted an examination of the overall repercussions of tax evasion and avoidance on the South African economy which indicated that the country experienced relatively low levels of tax evasion and avoidance due to the surpluses between tax revenue collected, tax revenue budgeted, and GDP growth. However, the results also revealed a positive trend towards GDP growth, facilitated by increased tax rates that led to annual revenue surpassing estimated tax revenue to offset evaded and avoided taxes. Amoh et al. (2023) examined the interplay between tax efforts, tax evasion, and economic progress, as well as the impact of institutional quality on this relationship in Ghana. By analyzing quartered data from 1996 to 2020 using maximum likelihood (ML) estimation and structural equation modeling (SEM) techniques, the researchers aimed to shed light on the dynamics of these factors. An examination of the hypotheses indicated that positive impacts on urbanization were countered by negative effects on tax evasion and tax efforts as gauged by the Economic Freedom of the World Index (EFWI). Omodero (2019) recognized that the informal economy contributed to tax evasion, but the impacts of these economic phenomena on an economy differ. To provide empirical evidence of the disparities between the two economic scenarios, this study investigated the effects of both tax evasion and the informal economy. Employing multiple regression analysis with ordinary least squares and utilizing secondary data spanning from 1991 to 2018, the analysis demonstrated that tax evasion yielded a substantial negative effect while the informal economy exerted a significant positive impact on Nigeria's economic expansion. The study revealed that these two independent variables explained 98.7% of the variability in the Nominal Gross Domestic Product and exhibited a highly significant correlation.

These outcomes underscore the increasing significance of tax evasion and the informal economy as key contributors to Nigeria's economy, generating both detrimental and beneficial outcomes. Consequently, the report recommends governmental efforts to bolster effective governance, establish regulations to enhance voluntary tax compliance, and aid legal informal sector enterprises in securing official registration at minimal or no cost.

Omodero and Dandago (2019) research delved into the correlation between tax revenue and public service provision in Nigeria from 1981 to 2017, utilizing the ordinary least squares technique. The primary objective was to ascertain the extent to which tax revenue influenced service delivery indicators such as the country's healthcare and education systems. The findings demonstrated a significant and positive impact of tax revenue on healthcare and education services. Thus, the report suggested, among other things, that the government should make full use of all tax revenue streams in order to fund the nation's health sector and give its residents

access to quality education, including programs for skill development and entrepreneurship.

Feld and Tyran's (2002) primary outcome indicated that increased tax compliance was a result of an endogenous fine's greater legitimacy in comparison to an exogenously set fine. Nor and Mohammed's (2024) approach considered a full examination of the connections between the underlying, legislative, and individual factors that lead to tax avoidance and debasement. The discoveries showed a critical connection between fundamental open door structures, lacking duty administration, and individual motivation structures and the pervasiveness of tax avoidance and debasement. It was found that fundamental open-door structures essentially impacted Somali traditions' duty administration issues as well as individual impetus frameworks.

Di Nola et al. (2021) examined the effects of tax evasion in the self-employment industry on welfare and overall economic results. The developed model tried to capture and replicate important quantitative features of the American economy, such as wealth accumulation, the recurrence of independent work, pay distortion, and the dissemination of pay. Noting the various manners by which tax avoidance could influence the condition of the economy. It was found that tax avoidance significantly affects people inside the independently employed area, yet these advantages are lost on laborers who don't take part in tax avoidance. Usman (2019) assessed the impact of duty aversion and avoidance on Nigeria's capacity to produce pay. Significant associations including the Public Agency of Measurements, the National Bank of Nigeria, and the Government Inland Income Administration are remembered for the review populace. The outcomes showed that charge evasion and avoidance significantly affected charge income collection and the overall Nigerian economy.

In the review directed by Agbanyo et al. (2024), one of the main factors that hinder the generation of tax revenue, particularly in developing nations, has been recognized as corruption. In addition to examining the interceding jobs of expense confidence and assessment resistance among Ghanaian private firms, this study looks at the consequences of perceived government corruption on tax compliance intention. A questionnaire was used to gather information from 1133 randomly selected private companies in the Greater Accra area. The primary condition displaying with greatest probability assessment approaches was utilized for the assessment. According to the study, tax compliance intentions, tolerance, and morale are all negatively impacted by political defilement. Additionally, charge assurance and expense resilience increase the intention to comply. Once more, the connection between saw political defilement and expense consistency aim is partially mediated by tax morale and tax tolerance, which lessens the detrimental impacts of corruption on intents to comply with tax responsibilities. Lastly, the sectors, firm size, age of the organization, and level of education all influence these tax compliance practices.

In their 2019 study, Amahalu et al. (2020) explored the effect of duty spills on the financial extension of Nigeria somewhere in the range of 2008 and 2017. It took a gander at the impacts of tax avoidance and evasion on monetary improvement records, like future, baby mortality, and GDP per capita. The objectives of the review were accomplished by creating and testing three speculations utilizing optional information from the World Bank Measurable Announcements, the Government Inland Income Administration, the National Bank of Nigeria, and the Public Agency of Measurements. Applying the Increased Dickey Fuller test to time series information is considered the assessment of information stationarity. The examination utilized relapse with Conventional Least Squares. The discoveries of the review approved that charge spillage essentially and adversely influences Nigeria's monetary turn of events, with an importance level of 5%.

In Oyo State, Folayani and Adeniyi (2018) looked into how tax evasion affected the state's ability to generate income. A sample of 165 randomly chosen respondents from throughout the state participated in the study, which used a standardized questionnaire. Furthermore, secondary data for the years 2011–2016 were taken from the Workplace of Financial Plan and Monetary Preparation, the Public Agency of Measurements (NBS), and the Interior Income Office. The review's conclusions showed that tax evasion hurts Oyo State's ability to generate government income and results in a loss of revenue.

Salami et al. (2018) conducted an evaluation aimed at comprehending the influence of non-oil revenue on the economic growth of Nigeria. The study's conclusions demonstrated a statistically significant association, specifically at the one percent level, between the exogenous variable (non-oil revenue) and the endogenous variable (either GDP or real GDP) in both models. Gummi et al. (2017) investigated what oil costs meant for a financial extension. The review found a one-way connection between oil costs and financial development by determining the direction of causality and the degree of stationarity. Onyeka and Nwankwo (2016) checked out the effect of tax avoidance and evasion on the development of the Nigerian economy. Information from 1999 to 2012 was obtained from the National Bank of Nigeria Factual Notice and used in an ex post facto research approach. The speculation was researched utilizing the Standard Least Square Relapse (OLS) model. The discoveries showed that tax avoidance and aversion had a major detrimental impact on Nigeria's economy's ability to grow.

Mu et al. (2023) confirmed how mental vanity, tax avoidance, and other pertinent elements influence charge income assortment in Ethiopia's Amhara Area. To gather information, 395 citizens who had enrolled for Tank were given an organized survey. The study showed the unfavorable impacts of mental pride and tax avoidance on the viability of assessment income assortment. Paleka and Vitezić (2023) tried to

pinpoint important knowledge gaps regarding taxpayer heterogeneity. An exploratory element examination of the perception and attitude components of taxpayers was done for this reason. Six elements that affect citizen consistency with the expense framework were identified by their investigation. The details of these bunches highlighted an end that policymakers should use methodologies that encourage intentional assessment consistency with insignificant expense for the duty framework.

2.4 Gap(s) in Literature

While some studies acknowledge the existence of tax evasion, there is a lack of in-depth analysis regarding how various forms of tax evasion, such as underreporting income, transfer pricing, and offshore tax havens, directly influence revenue collection from non-oil sectors. Understanding these mechanisms is crucial for designing effective policy interventions and enforcement strategies.

3. Research methods

An examination configuration is the strategy that is applied in research projects; it includes the methodical techniques that are used for gathering, evaluating, analyzing, and presenting data (Clark, 2007). Time series research methodology is used in this work. A research design of this kind is frequently used when data is collected over time to identify patterns and trends that can be used to predict future events. It entails the assortment of information over the long haul and the examination of that information to identify patterns and trends. Ndiyo (2005) claimed that the periodic numerous observations of items at different times are more accurately represented by the time series design. Thus, it was decided that using this design strategy would be the best course of action for this investigation. The methods and procedures utilized to gather the data for the study are covered in this section. In order to gather viewpoints and opinions directly relevant to the research topic, the data was employed. Primary and secondary data collection are the two methods available. In order to gather data for this study, only secondary methods were used, such as information from the National Bureau of Statistics, Federal Inland Revenue Service (FIRS), and CBN statistical bulletins and annual reports.

Reliability tests involve consistency that is, measuring the data and delivering consistent results irrespective of the person doing it (Patrick Biddix, 2010). To prevent the first score from affecting the second examination, a diagnostic test will also be done after all annual reports have been evaluated, not after each initial particular report assessment.

3.1 Method of data analysis

Regression analysis is a statistical method that is frequently used to evaluate the relationship between two or more variables. The study tests the hypotheses using cross-sectional samples of companies and uses the OLS regression analysis with

cross-sectional data. Regression analysis was chosen because it is a trustworthy method for figuring out the relationship between one or more independent variables and a dependent variable (Judith, Maduabuchi, Igwe, Ehis, & David, 2022).

3.2 Instrument of analysis

The use of a T-test was adopted in this research. It was used to compare the difference between the actual Non-oil revenue generated and the budgeted Non-oil revenue generated. It was used to test the hypothesis of the research and come up with an equitable solution.

Model specification

Non-Oil Government Revenue is the dependent variable.

Linear specification:

$$NOGR = f(RL, CT) \text{———————————————(1)}$$

The statistical model was developed based on the linear specification mentioned above.

$$NOGR = \beta 1RLt + \beta 2CTt \text{ ———————————————(2)}$$

For easier result interpretation, the linear function was converted into a logarithmic form.

$$\log NOGRit = \alpha + \beta 1 \log RLit + \beta 2 \log CTit + \mu it \text{———————————(3)}$$

Where:

NOGR= Non-Oil Government Revenue

RL= Revenue leakage

CT= Corruption

α is a constant

The coefficients of the estimated parameter are denoted as $\beta 1$ and $\beta 2$.

μ is the error term

4. Results

This section displayed the presentation and analysis of the secondary information utilized in the review. It also revealed the interpretation of the results obtained from the analysis while achieving the listed objectives of the research study.

4.1 Descriptive Analysis of Data

It showed the various attributes of each variable including budgeted non-oil revenue (NOR), tax evasion (TAX), and corruption perception index (CPI).

Mean and middle were proportions of focal inclination. The mean was obtained by adding the information figures and partitioning by a number of figures in the information while the median was the middle figure after arranging the data in ascending or descending order. From Table 1, NOR had the most noteworthy mean and median figures of 4384.599 and 4291.109 individually.

NOR had the highest maximum value of 6557.480 and CPI had the lowest minimum value of 24.00000.

Standard deviation was utilized to test the variations in the dataset and from Table 1, NOR had the highest figure of 740.8740.

Skewness demonstrated how the data numbers were symmetrical around their mean. A normal distribution's skewness commonly goes from 0 to 1. A skewness greater than one indicates that the distribution of the data is not normal. With values of 0.320133, 0.804022, and 0.844817, respectively, each variable in Table 1 had a skewness value between 0 and 1, indicating that they were all normally distributed.

Kurtosis illustrated the distribution of the data points around the mean. If the kurtosis is three or greater, the variable is viewed as crested to the typical or to have a normal distribution. Additionally, if the kurtosis is under three, the dissemination is expressed to as level to the typical. Table 1 indicates that all variables had kurtosis values of 3 or higher, indicating that they had peaked at the normal value.

Jarque-Bera: This tool was likewise used to decide if the series were circulated in a typical manner. The dismissal of the ordinary dissemination null hypothesis occurs at the point when the Jarque-Bera likelihood figure is not exactly 5% (0.05). The probability numbers in Table 1, which show values of 0.023413, 0.004059, and 0.002221, respectively, were all genuinely critical at the 5% significant level and supported the dataset's normal distribution. Jarque-Bera: This tool was likewise used to decide if the series was disseminated regularly. The dismissal of the ordinary circulation invalid speculation happens when the Jarque-Bera likelihood figure is above 0.05. The probability numbers in Table 1, show values above 5% significant level and supported the dataset's normal distribution.

Table 1 Descriptive Analysis of Variables

	CPI	NOR	TAX
Mean	25.98	4384	1131
Median	26.33	4291	1291
Maximum	28.00	6557	1565
Minimum	24.00	3087	369.2
Std. Dev.	1.301	740.9	370.7
Skewness	0.320	0.804	0.845
Kurtosis	3.692	3.724	3.228
Jarque-Bera	7.508	11.01	12.22
Probability	0.234	0.405	0.222

Sum	2209	3726	9609
Sum Sq. Dev.	142.1	4611	1154
Observations	85	85	85

Source: Authors' Estimation (2024).

4.2 Unit Root Test

Deciding the request for incorporation of the factors by testing for stationarity was utilized. The ADF unit root test utilizes the Expanded Dickey Fuller (ADF) test to decide whether the invalid speculation — that is, the presence of a unit root — is valid. At the 5% huge level, the ADF measurement (communicated in outright figures) should be higher than the standard basic worth. Since the ADF measurement's worth was more prominent than the ordinary basic worth at the 5% huge level, the ADF result exhibited that the factors were all fixed at the levels, patterns, and catches. The factors were apparently coordinated of request zero, or I(0), as indicated by this. Table 2 showcases the ADF test results.

Table 2 ADF Results

Variable	ADF @ Levels	5% Critical value	Order of Integration	Remark
LNOR	-3.609231	-3.464865	I(0)	Stationary
LTAX	-3.503158	-3.464865	I(0)	Stationary
CPI	-3.926733	-3.464865	I(0)	Stationary

Source: Authors' Estimation (2024).

4.3 Multiple Regression Result

It was used to check in the event that there was a huge effect between the reliant variable log of budgeted non-oil revenue (NOR) and the independent variables log of tax evasion (LTAX) and corruption perception index (CPI). From Table 3, the coefficient figures showed the type of relationship whether positive or negative that was between the variables. Hence, from the coefficient figures, LTAX and CPI were negatively related to LNOR with figures of -0.139678 and -3.620555 respectively. This implies that a unit expansion in LNOR would prompt a unit decline in the level of the coefficient figures of the independent variables. Also, Table 3 shows the meaning of every autonomous variable to test the speculations. Utilizing the 5% significant level (lower than 0.05), the probability figures of LTAX and CPI were all huge with likelihood upsides of 0.0003 and 0.0000 separately.

In summary, there was a negative substantial influence of LTAX and CPI on LNOR. The R-square, which calculated the model's goodness of fit, was roughly 0.73. This showed that 73% of the fluctuation in LNOR can be made sense of by every one of the free factors. The remaining 27% consisted of LNOR-influencing factors outside

the purview of the investigation. The modified R-squared, after accounting for the degree of freedom, was roughly 0.72 (72%). The F-insights estimated the joined meaning of the multitude of autonomous factors on LNOR. From the likelihood after effect of 0.000000 which was huge at a 5% critical level, all the independent variables jointly and significantly impact LNOR.

The Durbin-Watson test was then utilized to decide whether autocorrelation existed in the model or not. Regression results are erroneous when there is autocorrelation, which indicates that some or all of the independent variables are connected. To make sure there is no autocorrelation in the model, the Durbin-Watson variable's worth should be assessed to be 2. There was no autocorrelation in the model, as shown by the Durbin-Watson worth of 1.72, which was close to 2.

Table 3 Regression Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	19.19072	0.820836	23.37950	0.0000
LTAX	-0.139678	0.037222	-3.752533	0.0003
CPI	-3.620555	0.311482	-11.62364	0.0000
$R^2 = 0.73$	Adjusted $R^2 = 0.72$	Prob(F-statistic) = 0.000000	Durbin-Watson Test = 1.72	

Source: Authors' calculation, 2024.

4.4 Post-Estimation Tests

4.4.1 Heteroskedasticity Test

The model's heteroskedasticity was investigated using this test. When two independent variables are related to the error term, it is said to be heteroscedastic. The model did not exhibit heteroskedasticity, as per the null hypothesis, and in order to be accepted, the probability figure at 5% needs to be non-significant. In order to show that there was no heteroskedasticity in the model, table 4's probability figure of 0.0739 was deemed unimportant at 5%.

Table 4 Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	11.29	Prob. F(2,82)	0.074

Source: Authors' calculation, 2024.

4.4.2 Breusch Pagan Serial LM Test

This was finished to confirm the Durbin-Watson test result and test the model for autocorrelation. The absence of autocorrelation was demonstrated by the null

hypothesis. Table 5 exhibits that there was no autocorrelation in the model by showing that the likelihood worth of 0.0659 was not huge at the 5% degree of importance.

Table 4 Breusch Pagan LM Test Result

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	258.3	Prob. F(2,80)	0.066

Source: Researchers' Compilation (2024).

4.5 Hypotheses Testing

Hypothesis One

H_0**:** The non-oil government's revenue is not significantly impacted by revenue leaks (tax evasion).

On the off chance that the likelihood esteem was under 0.05, the invalid speculation was to be dismissed as the choice criterion. According to Table 3, there was a 0.0003 chance of tax evasion, which was significant at the 5% degree of importance. Thus, it was determined that revenue leaks (also known as tax evasion) have a major impact on the non-oil government's revenue and that the null hypothesis was rejected.

Hypothesis Two

H_0: Corruption has no appreciable effect on government revenue other than oil.

The decision-making standard was to dismiss the invalid speculation in situations where the likelihood was under 0.05. The probability value of the corruption perception index, as shown in Table 3, was 0.0000 and significant at the 5% degree of importance. As a result, the invalid speculation was refuted and it was determined that the corruption perception index has a major influence on government revenue other than oil.

4.6 Discussion of Findings

The study's major objective was to determine how tax evasion impacts non-oil revenue generation in Nigeria. The descriptive statistics were first conducted in other to determine the association among the variables. The unit root test showed that every one of the factors was fixed at levels, thus the utilization of the different relapse procedures.

The regression result in Table 3 showed that the tax evasion and corruption perception index were negatively significant in impacting Nigeria's budgeted non-oil revenue.

The result means that when citizens evade tax payments, it hampers government revenue sources, hence, the negative significant findings from Table 3. Tax evasion lowers government revenue and does not allow for national development. This finding was supported by Mu et al (2023) who all opined that evading tax payment hampers Ethiopia's charge income assortment execution specifically and Ethiopia's financial turn of events in general. Also, Amahaluet al (2019) stated that tax leakage has a substantial and detrimental impact on Nigeria's economic development, thus corroborating this study's findings.

The second finding was that the corruption perception index negatively and significantly impacts Nigeria's budgeted non-oil revenue. Hence, corruption is a menace that reduces government revenues meant for development purposes. Corruption includes stealing public funds and this lowers government revenue and stagnates national development as funds meant for development are placed in private pockets. This finding was corroborated by Mu et al. (2023) as they opined also that corruption was a push factor for tax evasion and would hamper government revenue.

5. Summary of Findings

5.1 Theoretical Findings

The tax elasticity of evasion theory was supported by the study's discoveries, which showed that tax evasion and the corruption perception index have a negative influence on government tax collection. According to the hypothesis, people are almost certain to avoid paying taxes on the off chance that they think the benefits outweigh the drawbacks. People therefore weigh the expected expenses of tax evasion against any possible advantages, including more disposable income (Fack and Landais, 2016). People will tend to avoid paying taxes while corruption is on the rise, which will reduce government revenue.

5.2 Empirical Findings

The study's conclusions corroborated the findings of Mu et al. (2023), who postulated that tax evasion significantly influences government income, particularly Ethiopia's tax revenue collection performance, which served as the study case.

The outcomes are likewise reliable with the examination of Salami et al. (2018), which found that the presence of defilement has a hindering impact on government non-oil revenue and Nigeria's economic growth. The researchers came to the conclusion that tax money from sources other than oil would greatly enhance economic growth if corruption and other societal threats were addressed.

5.3 Conclusions

The review tracked down an association between non-oil income and tax avoidance. Various examinations, such as Mu et al. (2023), have been published regarding the

relationship between various variables; however, relatively little research has been done on the connection between corruption and the topic; this is one of the gaps the study identified.

Corruption and tax evasion were employed as independent variables versus non-oil revenue, which was the reliant variable. The outcomes showed that the two factors adversely affected non-oil income. In view of the discoveries, the review reached the resolution that it is impossible to overstate how detrimental tax evasion is to Nigeria's non-oil earnings. Hence, to essentially develop and improve non-oil income, tax avoidance and corruption should be completely eradicated.

5.4 Recommendations

1. To ensure that tax evaders face consequences, government tax rules should be examined on a regular basis.
2. Businesses, organizations, and people who have paid their taxes on time ought to be granted tax breaks. This would incentivize those establishments to continue paying taxes when they become due.
3. To reduce the money's nefarious aim, the Nigerian government should use tax revenue wisely and for worthwhile endeavors.
4. The tax regulatory bodies ought to oversee tax income in a more efficient manner. This would increase the security and safety of Nigeria's tax revenue goals.
5. Government tax authorities should host training, seminars, and workshops to educate the Nigerian public, undergrads, and organizations on the meaning of and advantages of assessment income to the economy.

5.5 Contributions to knowledge

1. The review added to the burden and financial development literary works by demonstrating the negative significance of tax avoidance and debasement to hindering the development of nonoil income in Nigeria.
2. The study contributed to existing tax revenue literature by introducing corruption and tax evasion together to show how both variables negatively affect Nigeria's nonoil revenue.
3. The review covered information and delay by expanding the time of studies caught up to 2022 as against the evaluated examinations which finished in 2020.

5.6 Suggestion for further studies

1. Additional studies can look into other factors, such as tax evasion, and how they affect Nigeria's non-oil revenue.
2. More research can look into the effects of tax evasion on Nigeria's economic expansion.

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Author Contributions

Toluwabori Blessing FEMI-AYEGBO and Dr. Cordelia Onyinyechi Omodero were responsible for conceptualizing and designing the study, as well as managing the data collection, processing, and interpretation. The literature review and conclusions of the study were handled by Toluwabori Blessing FEMI-AYEGBO, whereas Dr. Cordelia Onyinyechi Omodero supervised the research and made necessary corrections.

Disclosure Statement

The authors declare that there are no recognized or possible conflicts of interest, both now and in the future.

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