CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Nigeria is a nation rich in natural resources, populated by an estimated 167 million people and a land area of about 924 thousand square kilometres. Located in West Africa, it is surrounded to the east by Cameroon, towards the west by Benin, to the north by Niger and to the south by Gulf of Guinea. It is perceived to be Africa's second-largest economy and biggest oil maker in Africa (OPEC 2012).

Until oil was found in Nigeria, the agricultural sector was the Nigerian economy's main stay, contributing about 95 per cent to its foreign exchange earnings, producing about 60 percent of its employment potential, and about 56 per cent to its gross domestic earnings (World Bank, 2013). The main exportable yields were cocoa, palm items, cotton, ground nut, wood and elastic, with these items contributing a large portion of Nigeria's exports, Agriculture was the Nigerian economy's leading growth sector whereas oil exports were very poor. In fact, the available literature on Nigeria's economy indicates that Nigeria was predominantly an agrarian economy whose income age was focused on agriculture; figures from the Federal Statistical Bureau suggest that, somewhere in the continuum of 1958 and 1969, the commitment of oil (GDP) was only 0.007 percent. While horticulture was the cornerstone of the country's economy, it accounted for a higher percentage of GDP.

While, with Shell BP finding oil in Bayelsa State's Oloibiri region in 1956, Nigeria's oil remained a significant source of energy and profits. Although the oil business in Nigeria was established in the early part of the century, it was not until the finish of the civil war in Nigeria (1967-1970) that the oil industry started to play a prominent role in the country's economic life.

Oil being the Nigerian economy's backbone assumes a fundamental part in defining the country's economic and political destiny. The petroleum industry was viewed as the engine driving Nigerian economy's economic board. The importance can be seen from the viewpoint of job generation, foreign exchange earnings, government revenue, and gross domestic product.

After the revelation of oil in commercial quantity, petroleum industry in Nigeria became the largest industry. Oil provided approximately 90 percent of foreign trade income and around 80%

of Federal revenue and contributes the development pace of Gross Domestic Product (GDP) of the economy of Nigeria.

The oil blast of the 1970s drove Nigeria neglecting its large agricultural and light production bases for an undesirable crude oil dependency. Oil and gas trades represented over 98% of fare income in 2002 also, about 83% of government. Gas exports represented 89 per cent of all commodity exports in 2011. New oil wealth, with another decline in other economic sectors also, a sway toward a statistical economic model fuelled massive urban migration and led to widespread poverty, particularly in rural areas. That trend has been accompanied by a breakdown of fundamental foundation and social administrations since the early 1980s. By the year 2002, Nigerian's per capita pay had plunged to around one – quarter of its high mid-1970's, below the independence level. Along with Nigeria's endemic non-oil sector malaise, the economy is still experiencing tremendous growth in economic activities of the "informal sector" (Igberaese, 2013).

Nigeria is one of OPEC part nations and has been said to have maximum usage of oil based commodities as the second-largest oil producer in Africa. The popularity for products from petroleum may result from increased revenues (Akinlo, 2012). Nonetheless, lower (subsidy-influenced) rates, a seeming populace (of which Nigeria turns out to be Africa's most populous country) what's more, different elements that might affect demand.

It is said that Nigeria has oil creation of about 2,451 million barrel per day, while it consumes about 310,000 barrel per day (2005 EST.; THE WORLD FACTBOOK), based on the statistics given by the world fact book (2005; Akinlo, 2012). As of 2006, the consumption level increased to 312,000 barrel per day with a standard output of 2,352 million barrel per day (EST 2006; THE WORLD FACTBOOK). As of 2007, Nigeria was ranked 38th in the world with regard to oil consumption

From these realities, it is very clear that Nigeria still has a rise in oil consumption rate despite the fall in the output of oil in 2006. With Nigeria's rapid growth currently stagnating at around 7% and oil prices remaining volatile, there is a lot of discussion about what can be done to ensure continuous growth regardless of the global market. This volatility stemmed from international shocks caused by financial crises, strikes, wars and reduced production of oil. It is because of this volatility in oil price and dependence on oil for Nigeria that many economists raise concerns about the economy's future. When alternative fuels become more common and oil importers

continue to find oil deposits, the Nigerian economy needs to look at other, more manageable sources of foreign currency and government revenues boosting economic growth (Igberaese, 2013).

The developing world's oil-exporting countries are vigorously subject to oil revenue for foreign exchange earnings and, in most cases, up to or above 90 per cent for the government budget. The oil industry includes crude oil exploration and production, as well as oil refining, distribution, and operation. This study is therefore intended to examine the impact of oil revenue on economic growth in Nigeria.

1.2 Statement of the Problem

Since the discovery of oil, petroleum industry has played significant role towards the development of Nigerian economy, the impacts are both positive and negative.

Nigeria is estimated to have an oil hold of 37.2 billion barrels in 2011 and produces a normal of 2.13 million barrels for every day (Igberaese, 2013). The hydrocarbon industry likewise represents 82 percent of revenues for the federal government of Nigeria (World Bank, 2013).This proposes that Nigeria is vigorously reliant on the oil area for most of government spending, infrastructure and most economic development activities. In general, over-reliance on oil revenue can distort and deter government procurement of assets from other sources , for example because of large streams of oil revenue; countries tend to de-emphasize income taxes as a source of government revenue.

Some have upheld for the moving of accentuation from the oil business to different areas attributable to their faith in the negative aftermaths of the oil business; some others thought that the sector ought to be promoted and developed for its benefits. These contradicting views have made the issue of acknowledgment or in any case of the oil business in Nigeria. Compared with other markets, in view of the conflict over the relative commitment of the oil business, it is basic that the general effect of oil income on the Nigerian economy ought to be determined observationally.

1.3 Objectives of the Study

The main objective of this study shall be based on the following:

1. To determine the effect of oil revenue on economic growth.
2. To ascertain the effect of inflation on economic growth.
3. To examine the effect of exchange rate on economic growth.

1.4 Research Questions

1. What is the effect of Oil Revenue on Economic Growth?
2. What is the effect of Inflation on Economic Growth?
3. What is the effect of Exchange Rate on Economic Growth?

1.5 Research Hypothesis

The following hypothesis shall be tested in this research study:

1. H_{01}: There is no significant relationship between oil revenue and economic growth.
2. H_{02}: There is no significant relationship between inflation and economic growth.
3. H_{03}: There is no significant relationship between exchange rate and economic growth.

1.6 Significance of the Study

The research will be applicable to the following:

1. For oil companies operating in Nigeria, this will be essential in operational and investment decisions.
2. It will serve as an information source for strategy creators and industry partners.
3. It will guide the government and its agencies in regulating the industry.
4. It will serve as an information source (data) for students in their field of study..

1.7 Scope of the Study

The focus of this study is to inspect the impact of oil revenue on economic growth in Nigeria. This study covers a period of nineteen years (2000-2018) and is restricted to secondary data which was obtained from annual report of Central Bank of Nigeria (CBN).

1.8 Limitations to the Study

The major limitation of this study is inability to access the monthly GDP data of Nigeria for a more perceived empirical analysis due to the fact the institutions responsible for such data like the Central Bank of Nigeria and Nigeria Bureau of Statistics only published the quarterly GDP. Not with standing, the obtainable data from the annual report of the CBN were adequate and necessary to evaluate to relationship between the dependent and independent variables. The outcome and results gotten adequately met the objective of the study which is to assess the effect of oil revenue on the economic growth of Nigeria.

1.9 Operational Definitions of Terms

Oil: A viscous liquid derived from petroleum, especially for use as a fuel or lubricant.

Revenue: This is the money the government receives. It is represented by the sum of oil income and non-oil income gathered by the Federal Government.

Economic Growth: An upsurge in the quantity of products and services created per head of the populace throughout some undefined time frame.

Economy: The condition of a nation or region with reference to the creation and utilization of goods and services and the supply of money

Gross Domestic Product: The overall value of goods produced and services provided in a nation during one year.

Exchange Rate: Estimation of one currency for conversion purposes to another currency.
Inflation: An overall expansion in costs and fall in the buying estimation of money.

CHAPTER TWO

LITERATURE REVIEW

2.1 Preamble

This chapter reviewed existing literatures, discussed the conceptual review of this study. It discusses relevant theoretical reviews which include the Harrod- Domar Growth Model, the AK Model and Solow Growth Model. This study also reviews empirical analysis of previous studies.

2.2 Conceptual Review

Conceptual review involves the assessment of different concepts necessary in this study. It also involves looking at different policies and institutions that has been engaged with oil revenue.

2.2.1 Nigeria Petroleum Industry

After half a hundred years of exploration, oil was found in Nigeria at Oloibiri in the Niger Delta in 1956. Shell-BP, the sole concessionaire at that point, made the disclosure. Nigeria joined the positions of oil makers in 1958, when the main oil field went ahead board, delivering 5,100 bpd. After 1960, mining rights in the inland and seaward locales adjacent to the Niger Delta were extended to a few global firms. In 1965, in shallow water southeast of Warri, Shell found the EA area. The conclusion of the Biafra War corresponded with the spike on the planet cost of oil in 1970, and Nigeria had the option to increase moment wealth from its yield of oil.

In 1971, Nigeria joined the Organization of Petroleum Exporting Countries (OPEC) and in 1977 found the National Nigerian Petroleum Corporation (NNPC), a state-owned and operated company that is a significant part in both upstream and downstream industries. Following the disclosure of raw petroleum by Shell D'Arcy Petroleum, Pioneer improvement began in 1958 from the organization's oil field in Olobiri in the Eastern Niger Delta.

By the last part of the sixties and mid-seventies, Nigeria had accomplished a fare level of more than 2 million barrels of raw petroleum every day. Despite the fact that creation figures diminished because of the monetary emergency during the 1980s, 2004 saw oil creation restore

altogether to a record measure of 2.5 million barrels per day. The new development plans are pointed toward rising creation by 2010 to 4 million barrels every day.

In the Nigerian economy, oil creation and exports play a prevailing position and record for about 90% of its gross income. This dominant position, the conventional backbone of the economy, has moved agriculture to the background since the mid-fifties and sixties.

2.2.1.1 Major Events in the Nigerian Oil and Gas Industry

1908: Nigerian Bitumen Co. & British Colonial Petroleum commenced operations around Okitipupa.

1938: Shell D 'Arcy awarded exploration licenses in Nigeria to explore for oil.

1955: Mobil Oil Corporation began operations in Nigeria.

1956: Shell D'Arcy changed its name to Shell-BP Petroleum Exploration Company of Nigeria Limited with the first successful well drilled at Oloibiri.

1958: First shipment of Nigeria crude oil.

1961: Shell's Bonny Terminal was launched; operations in Nigeria were launched by Texaco overseas.

1962: In Nigeria, Elf launched operations. Nigeria Agip Oil Company (As Safrap) began operations in Nigeria started activities in Nigeria

1963: Elf Obagi field and Ubata gas field, the first Gulf output, were discovered by Elf.

1965: Agip found the first oil at Ebocha, and Phillips Oil Company began operations in the state of Bendel.

1966: In Rivers State, Elf began production with 12,000 bpd.

1967: At Osari, Phillips drilled its first well (Dry), Phillips first oil discovery at Gilli-Gilli.

1968: Mobil Producing Nigeria Limited was founded and the Escravos Gulf Terminal was commissioned.

1970: Mobil began production at Idoho Field from four wells, Agip began production, and the Inspectorate of Petroleum Resources Department began production.

1971: Shell's Forcados Terminal Commissioned, Mobil's terminal at Qua Iboe commissioned.

1973: First Participation Agreement; 35% stakes in the Oil Companies are purchased by the Federal Government; Ashland began PSC with then NNOC (NNPC), Pan Ocean Corporation drilled its first exploration well at Ogharefe.

1974: The Federal Government's second participation agreement raises equity to 55%, Elf officially changed its name from "Safrap," the first oil discovery in Ossu by Ashland.

1975: Agip, DPR upgraded the first oil lift from the Brass Terminal to the Ministry of Petroleum Resources.

1976: The Ministry of Petroleum Resources (MPR) was renamed MPE, and Pan Ocean began production at a movement of 10,800 b/d through Shell-Bp's pipeline.

1977: The government set up the Nigerian National Petroleum Corporation (NNPC) by Decree 33, (NNOC & MPR extinguished).

1979: The Third Participation Agreement (throughout NNPC) increases equity to 60%, the Fourth Participation Agreement; BP's nationalized shareholding leaves NNPC with 80% equity; and Shell 20% in the Shell Petroleum Development Company of Nigeria (SPDC) joint venture.

1984: NNPC / Shell Joint Venture Consolidating Deal

1986: Memorandum of Understanding (MOU) signing.

1989: Fifth Participation Agreement; (NNPC = 60%, Shell = 30%, Elf=5%, Agip = 5%).

1991: Memorandum of Understanding & joint Venture Operating Agreement (JOA) signing.

1993: SNEPCO, Sixth Participation Agreement, Signed Production Sharing Contracts (NNPC= 55 percent, Shell= 30 percent, Elf= 10 percent, Agip= 5 percent), Elf's Odudu blend coming on-stream, Offshore OML 100 100

1995: SNEPCO begins drilling the first well of exploration, the definitive decision on an investment reached by NLNG.

1999: NLNG's First Shipment of Gas from Bonny Terminal by NLNG.

2000: NPDC/NAOC Service Contract signed.

2001: Production of an offshore field in Okono.

2002: Signing of new PSCs agreement, downstream oil sector liberalization, NNPC begins retail outlet scheme.

2.2.2 Revenue

Revenue is all sums of money obtained from external sources by a country, such as those from the net of reimbursements and other corrective transactions outside the government, proceeds from debt issuance, selling of investments, transactions by agencies or private trusts and intra-governmental transfers (Ahmed, 2010). The rest of its revenue is government financial resources and this refers to economic money mobilized or generated (Obiechina, 2010).

Revenue sources are limited not only to petroleum and non-petroleum sources, but also to other means available to the government to collect funds to finance its operations. Two main federal government revenue sources exist, according to Ihendinihu, Ebieri and Ibanichuka (2014), namely oil revenue and non-oil revenue. This report will concentrate on oil revenue and oil Revenue and its distribution in Nigeria. The federal government's most substantial source of income is oil revenue.

a. Oil Revenue and its Distribution in Nigeria

Oil Revenue and its Distribution in Nigeria Oil income is the main wellspring of income to the central government. The most considerable type of revenue for the government is oil sales. Oil is a prevailing government source, representing around 90% of all out fares and this adds up to 80 percent of total government income, as per Budina and Van Wijnbergen (2008). Oil income is income from raw petroleum and gas fares, duty and eminence incomes from oil benefits, and homegrown unrefined petroleum deals income.

Oil income is revenue from exports of crude oil and gas, tax and royalty revenue from profits from petroleum and domestic market revenue from crude oil. Following the Nigerian Oil Industry's downstream deregulation section in 2003, the role of oil in the mind of the average Nigerian has become more profound (Gbadebo, 2008). Currently, the four refineries in Nigeria have a gross capacity of 445,000 barrels per day (bpd) as follows:

Location	Date of establishment	Capacity installed (bpd)	Upgrade (bpd)
i) Port Harcourt	1965	35,000	60,000
ii) Warri	1978	100,000	125,000
iii) Kaduna	1980	100,000	110,000
iv) Port Harcourt	1989	150,000	150,000
			445,000 bpd

Domestic consumption of 33 million litres per day for Premium Motor Spirit (PMS) and combined output capacity of 445,000 bpd for refineries, if fully utilized, It should be recalled that the deregulation of the downstream oil sub-area was unavoidable due to a chronic shortage of supply.

In Nigeria, the price per litre of fuel significantly affects the price of other commodities, as it is proof that an improvement in the price per litre of petrol (PMS) will undoubtedly lead to higher prices of other commodities, so since the era of the civil administration that has witnessed an ongoing rise in premium engine spirit prices, the CBN has been grappling with liquidity management measures to ensure that adverse effects on three main macroeconomic prices do not increase, i.e. interest rates, inflation rates and exchange rates.

Nigeria operates a federal government structure of three levels: federal, state and local governments. However to the 36 states and 774 local government boards in the country, the federal government passes some petroleum revenue. While it has been a source of contention and friction between federal and state governments, 13% of petroleum revenue is paid to oil producing states as a derivation fund. Revenues are, however, shared between levels of government from the account of the federation into which oil and gas profits are charged as follows:

i.   52.68 percent from the Federal Government

ii.   26.72 percent from the State Government

iii. 20.60 percent from the Local Government

b. Nigerian Government Revenue

Government Revenues denotes all the receipts of the government. They are fragment of government budget balance calculation. Nigeria derives her income from diverse sources which

consist of internal and external sources. The external sources of income to Nigeria government include income from foreign government grant, income from foreign direct investment etc. The internal sources of revenue can further be subdivided into two which comprises of the non-oil revenue (such as direct and indirect taxes, loans, trades, grants, aids) and oil revenue (such as income from Profit Tax, gas tax) as noted by Worlu and Emeka (2012).

In times past, Nigeria revenue depended largely on Agricultural products but since oil boom of 1973/1974 till date, oil has dominated Nigeria's revenue structure as asserted by Odusola (2006), to the extent that oil revenue account for over 70% of Nigeria's government total income. Because of certain variables, the Nigerian government can no longer rely on oil sector revenue inflows (such as international politics, insecurity, price fluctuations, the theft of oil in the Niger Delta and endemic corruption in the system) and these factors have reduced drastically the revenue accruing to Nigerian government from oil which has made it hard for Nigeria government to meet her public request.

Dickson & Rolle (2014) claimed that the diversification of its revenue base is a major challenge facing the Nigerian economy, and this diversification has become important with the realization that reliance on gains from crude oil cannot sustain public spending.

2.2.3 Gross Domestic Product (GDP)

The Gross Domestic Product is the monetary performance calculation (quarterly or annually) of all finished products and services produced during the period in question.

'Gross' suggests that no provision has been made for the depreciation of the machinery, houses and other capital goods used in production.

'Domestic' means it is created by the country's resident institutional units... Products apply to final goods and services, i.e. those imported, imputed or otherwise imputed, as follows: final consumption of the household, non-profit entities of the household and government; fixed assets; and (minus imports) exports.

The Central Bank of Nigeria (2010) describes GDP as the cash value of products and services produced in an economy over a span of time, independent of the ethnicity of the citizens who produced the goods and services. Generally, it is measured without having any capital consumption allowance (or depreciation deductions).

2.2.3.1 Approaches to Measuring Gross Domestic Product

There are three ways to calculate Gross Domestic Product that are generally accepted. They are the following:

   a.   Product Approach

   b.   Expenditure Approach

   c.   Income Approach

   a. Product Approach

It is also called the output approach. The performance approach is also likewise called the sum of the marketplace fee of all finished items / services. GDP is measured as the differential between the amount of input, minus the worth of the products and services used to manufacture those outputs during the accounting period. Suppose there are N goods with quantities Q1, Q2……….QN and unit prices P1, P2……PN, respectively. Then GDP is calculated as: GDP = P1Q1 + P2Q2 + PNQN

   b. Expenditure Approach

It calculates the final uses of manufacturing output as the quantity of final demand, gross capital accumulation and exports less imports.
Components of Gross Domestic Product
   i.   Consumption (C)
   ii.   Investment (I)

   iii.   Government Spending's (G)

   iv.   Net Exports (X-M)

   i.   Consumption (C)

It is the absolute and whole consumption on products and enterprises by family units. This includes: durable products, non-durable products and services; food, households, medical expenses, rent, gasoline etc.

ii. Investment (I)

That is overall spending on goods that can be used to produce additional products in the future, which includes capital equipment investment. (e.g. machines, tools), structures (factories, office buildings, residences), inventories (goods made but not yet sold).

iii. Government Spending's (G)

This is all spending on products and services purchased by the government at the federal, state and local levels. It includes: government investment spending, military arms acquisitions, public servants' wages etc.

iv. Net Exports (X-M)

It covers Gross Exports (X), all products and services manufactured for sale abroad, Gross Imports (M), any goods or services imported for consumption. Exports reflect overseas spending on the economy's products and services. Imports are aspects of consumption, investment and government expenditures on goods and services generated abroad.

These components add up to GDP (represented by Y): $Y = C + I + G + (X-M)$

c. Income Approach

It calculates GDP as the amount of the economic factor income produced by combining all forms of factor gains generated in the manufacturing process, such as:
- **i.** Wages and salaries, bonuses and other benefits to be given to workers.
- **ii.** Taxes owed to government on goods and manufacturing.
- **iii.** Operating surplus for the producers.

According to this approach, GDP = wage (income for labour) + rent (income for land) + interest (income for capital) + profit (income for firms).

2.2.4 Inflation

As measured via way of means of an index including the Consumer Price Index (CPI) or the Gross National Product (GNP) implied rate deflator, it is able to be described as a constant rate rise.'. Inflation is often explained as a situation where too much cash pursues too few commodities". When there's inflation, the dollar lacks purchasing power. The acquiring power of a given quantity of naira would be lower over time if there were inflation in the economy.

Black (2002) describes inflation as a persistent tendency for price and money wages to increase. The relative changes in an appropriate price index over time usually a consumer price index or a deflator of GDP, are measured for inflation. According to the World Bank (2011), the indicator of inflation in the consumer price index indicates the cumulative percentage rise in the cost of purchasing an ordinary customer's bin of products and services that can be fixed or adjusted at frequent intervals, such as on an annual basis.

Although the fees of products and services in the economic system as a whole is a deflator of GDP as a measure of inflation, the definition of inflation must take into account two key concepts. Secondly, it is aggregate or universal, implying that the increase in inflationary prices must cover the entire basket of goods of the economy, unlike the independent upward thrust in the cost of a particular commodity or collection of commodities. The premise here is that the inflation problem cannot be interpreted as discrete price changes or any price combination. However, a condition can occur so that a decrease in the individual price can result in an improvement in the other prices. Petroleum product prices in Nigeria are an example. Again because the market change in the basket is such that it causes an expansion in the amount of the overall price, this does not mean inflation. Again until the price shift in the basket is such that it allows the overall price level to rise, this does not signal inflation. Second, for inflation to be believed to have taken place, the growth in the gross volume of prices must be steady. A pattern of a persistent and consistent increase over various periods of time must be demonstrated by the aggregate price level.

a. Types of Inflation

According to its extent, inflation can be classified into four forms. They are as follows:

i. **Creeping Inflation**

This happens when the price increase is very gradual. AA steady annual price rise of much lower than 3 % per annum falls within this range. Price rises of this nature are considered healthy and necessary for economic development.

ii. **Walking Inflation**

If rates climb steadily and the annual inflation rate has a single digit, Walking Inflation occurs. This occurs where the price rise rate is 3 or less than 10 percent in the intermediate range. The inflation rate is an alarm indicator to track the government before it becomes inflationary.

iii. **Running Inflation**

This arises as prices increase rapidly at a pace of 10%- 20% each year. For the weak and the middle class, this form of inflation has enormous negative effects. Strong monetary and fiscal policies are required for its management. This happens as prices rise gradually at a rate of 10% - 20% per year. For the weak and the middle class, this form of inflation has enormous negative effects. Strong monetary and fiscal policies are important for its stewardship.

iv. **Hyperinflation**

Hyperinflation happens at double or triple-digit rates when rates are very rapid. This might lead to a circumstance in which inflation rate is no longer observable and completely uncontrollable. Every day, prices can rise many times. Such a condition causes the monetary system to collapse completely because of the continuous decline in the buying power of money.

b. **Causes of Inflation**

There are basically two causes of inflation which are as follows:

i. **Demand-Push Inflation**

This is attributed by an increase in demand levels. These may either improve the opportunity to purchase items or increase the desire to do so.

ii.   **Cost-Push Inflation**

This results from something that contributes to a decline in supply conditions. A rise in labor prices, an increase in government taxes and a reduction in the amount of goods manufactured are some of these reasons.

2.2.5 Exchange Rate

This indicates the true purchase power of two currencies relative to each other. According to This is the amount of every international exchange with respect to the home currency (Yijia Lu , 2011). It can also be said to be the real price of foreign goods; that is the quantity of domestic goods needed to purchase a unit of foreign goods.

When addressing exchange rates, it is helpful to distinguish between nominal and real exchange rates. In the foreign exchange market, the nominal exchange rate is basically the actual rate. In comparison, the real exchange rate is the rate at which one country's market bin of products may be traded for another country's market basket of goods.

2.2.5.1 Types of Exchange Rate

a.   **Fixed Exchange Rate**

In order to gain its value, a fixed exchange rate, also called a pegged exchange rate, is pegged, or linked to another currency or commodity (often gold). An exchange rate scheme like this guarantees the accuracy of exchange rates by associating it with a reliable currency itself. A fixed currency structure is therefore relatively well shielded from rapid inflation fluctuations.

b. **Flexible Exchange Rate**

Flexible or floating exchange rate structures are those in which market forces of demand and supply decide the rate of a currency. Unlike the fixed exchange rate, their value is not derived from any intrinsic value. Some economists believe that a floating mechanism is

more preferable since it absorbs and automatically changes the shock of a global crisis to arrive at.

c. **Nominal Exchange Rate**

A financial worth communicated in money related terms (i.e. in units of a currency) is a nominal value. It is not influenced by the price or value shift of goods and services that currencies could buy. A change to the financial calculation of the overtime currency is then made as a result of an adjustment to the value of the currency or to the associated prices of the products and services used to procure the currency. It is usually expressed in nominal terms when you go online to search the real exchange rate of a currency. The nominal rate of the free market is set and depends on the volume of money provided by another currency.

d. **Real Exchange Rate**

It is the buying power from one money to another at current trade rates and costs. The proportion between the quantity of units of one nation's currency required for the buying of a market container of products in another nation after the acquisition of that nation's money on the unfamiliar trade market and the quantity of units of that nation's currency that would be needed for the acquisition of that market bin quickly in that nation. The nominal rate is the genuine conversion scale, determined for market level varieties.

e. **Dual Exchange Rate**

The rate of currency is kept separately in this form of system by two values, one of which is applicable to international transactions and the other to domestic transactions. Countries switching from one system to another usually follow such systems. This ensures a seamless transition without causing the economy to suffer a lot of disruption.

f. **Spot Rate**

Spot rate are exchange rates for on-the-spot" currency exchanges or when trade is actually carried out. That is therefore, for every currency, the existing exchange rate. This illustrates the day-to-day exchange rate which changes every day by a few percentage points.

g. Forward rate

Forward rate are exchange rate for currency exchange that will occur at a future date. It additionally takes into consideration the purchase or selling, at a fixed cost, of a foreign currency at some point in the future.

2.3 Theoretical Review

Theories are an integrated system of accepted information that is used to describe a particular set of phenomena in a number of situations. Various theories exist to explain reasons for economic growth, some of which are:

a. The Harrod-Domar Growth Model

It is used in order to illustrate the development of an economy in terms of the degree of capital saving and productivity. It implies that for an economy to have healthy growth, there is no natural cause. The model was designed independently in 1939 by Sir Roy F. Harrod and in 1946 by Evsey Domar in 1946.

The predecessor of the exogenous growth model was the Harrod-Domar model. The pace of savings occasions the minimal yield of capital short the pace of devaluation equals the rate of growth of demand. Expanding the investment funds rate, expanding the minimal result of work, or diminishing the devaluation rate, which are the means of achieving growth in the Harrod-Domar model, will improve the production growth rate. While the Harrod-Domar model was originally designed to help analyze the business cycle, economic growth was later modified to explain it. As a result, development depends on the quantity of labor and capital; further investment contributes to the accumulation of capital, which induces economic growth. The model suggests that economic growth relies on investment-enhancing policies by growing savings and allowing more productive use of the investment by technical advances.

b. The AK Model

The AK model by Arrow (1962) stresses the probability of efficiency dependent on production per worker. This suggests that by "learning by doing," technological innovation will arise, albeit unintentional. This means that by "learning by doing," technological innovation will occur, albeit unintended. Technological advancement in the AK model is modelled as a greater gap in the

factor's initial productivity before learning by doing and the factor's productivity after learning by doing. With the neoclassical growth model, the AK model is very much in its postulate of what drives economic growth.

In the AK neoclassical growth model, economic growth is induced by savings and capital accumulation, whereas in the AK model, economic growth is induced by savings, capital accumulation and efficiency. Efficiency is defined as the increase in the productivity of factor inputs by "learning by doing".

2.3.1 Theoretical Framework

Solow Growth Model

The theoretical framework for this study is hinged on Solow Growth Model. It was developed by Robert Solow, the Nobel Prize-winning economist. It was the first neoclassical model of growth which was based on the Harrod-Domar Keynesian model. The Solow model is the foundation of the new philosophy of economic development. The core is the Solow model for the new economic development theory. The Solow Growth Model is an economic growth model which analyses changes in the level of the economy's performance as a result of changes in the rate of population growth, the rate of savings and the rate of technology progress. The core is the Solow model for the new economic development theory.

The Solow Growth Model is an economic growth model that analyzes changes in the production level of the economy as a function of changes in the pace of demographic growth, the rate of savings, and the rate of technological progress. The Solow model is the foundation of the present economic growth theory. A 'steady-state growth path' is accomplished when demand, capital and labour both rise simultaneously, so yield per laborer and capital per specialist are steady. Neo-classical economists assume that a rise in labor supply plus a higher level of labor and capital productivity is sufficient to lift development pace of the trend. Solor uses the following assumptions to construct his model.

Solor builds his model around the following assumptions:

1. One composite commodity is produced.

2. Input is considered as net production after making provision for the depreciation of capital.

3. There are current continuous returns to size. In other words, the output property is homogenous to the first degree.

4. The two production factors; labor and capital, are paid in accordance with their marginal physical productivity.

5. There is flexibility in prices and wages.

6. There is eternal full labour work.

7. Full employment of the available capital stock is also available..

8. Labour and capital are mutually substitutable.

9. Technical progress are neutral..

10. The ratio of savings is constant.

2.4 Empirical Review

The impact of oil revenue on the economic growth in Nigeria has been investigated in prior research studies. However different factors have been used to measure Oil Revenue in relation to Economic Growth in Nigeria. This section is divided according to the research objectives. Some of these works are identified below:

Ibeh (2013) investigated the impact of oil revenue on economic growth in Nigeria (1980-2010). The ordinary least square (OLS) regression technique was employed. The researcher however found a positive, significant relationship between oil revenue and economic growth in Nigeria. The researcher recommended that it is important to grow the agricultural sector, because oil is a wasted commodity and too much dependency on oil in the absence of agriculture does not help the economy much. In this way, In this way, through the transition of resources from the agricultural sector, the manufacturing sector will be modernized.

Using secondary data from Central Bank of Nigeria publications from 1981-2014, Nweze and Edame (2016) carried out a report on an Observational Investigation of Oil Revenue and Economic Growth in Nigeria and discovered that oil revenue has a favorable long-run relationship but a negative short-run relationship with economic growth. The researchers proposed that Nigeria needs to boost its trade with the rest of the world and that oil revenues

should be used judiciously to grow other economic sectors, especially in the agricultural and manufacturing sectors.

The effect of Crude Oil Revenue (COR) on economic development in Nigeria for the period 1960-2010 was analyzed by Nwoba and Abah (2017), using primary and secondary data collected from the Statistical Bulletins of the Central Bank of Nigeria. The study showed that the magnitude of the contribution of crude oil to Nigeria's economic development was significant. The study also showed that crude oil is continuing based on scientific research and that multinational oil firms in Nigeria have had a strong and important effect on economic growth and development in Nigeria through oil production operations, including direct and indirect jobs generation through supply chain adds.

Adebayo, Adeduno and Dada (2014) conducted research on the Economic Growth Effects of Oil Revenue in Nigeria during the period 1981-2012, using data from the Nigerian Statistics Bulletins of the Central Bank. The report showed that there is a strong relationship between oil revenue and economic growth in Nigeria. The researchers recommended that there is a need for a proper and adequate increase of revenue production across other segments of the economy that can be accomplished by diversifying the economy. In order to control the corruption that has robbed people of the possible benefits of economic development, policies and functioning institutions should be created.

Ogbonna and Appah (2012), carried out a study on the Petroleum Income and Nigerian Economy: Empirical Evidence. The key purpose of the analysis was to assess the influence of oil royalties on the economy of Nigeria. The research studied the impact of petroleum revenue on the Nigerian economy from 2000 to 2009 using the explanatory variables of gross domestic product (GDP), per capita income (PCI) and inflation (INF) and oil revenue, petroleum benefit tax/royalties (PPT\R) and license fees (LF). The study analyzed the effects of petroleum revenue on the Nigerian economy. The report represented all of the country's economic industries, including the oil and non-oil markets. The analysis focused largely on secondary data from the Statistical Bulletin of the Central Bank of Nigeria, the Nigerian National Bureau of Statistics, and the Nigerian National Petroleum Corporation. In the analysis, basic regression models and the Statistical Package for Social Sciences were used to analyze the collected data. The models

used measured whether oil revenue was explained by the variance in GDP using variables such as alpha (alpha), beta (β) and Stochastic Terms (U). The analysis found a positive and important relationship with oil revenue and GDP and PCI, but a positive and negligible relationship with INF. Similarly, with GDP and PCI, PPT/R has a favorable and important relationship, but a weak and negligible inflation relationship. LF has also been shown to have a favorable but negligible relationship between, respectively, GDP, PCI and INF. Based on these results, the report concluded that when calculated by GDP and PCI for the period 2000 to 2009, petroleum income (oil revenue and PPT/R) had a favorable and important impact on the Nigerian economy.

Ebo (2019) carried out a research on A Critical Evaluation of Implications of Oil Revenue for Nigeria Economic Growth for the period 1989 to 2018 using secondary data from statistical bulletin of Central Bank of Nigeria (CBN). Multiple regression technique of the IBM Statistical Package for Social Sciences (SPSS) version 23 was used in analyzing the data. Findings from the analysis revealed that revenue from oil positively and significantly impacted on Nigeria's economic growth. The Researcher recommended that government should encourage local investors to invest in the oil sector. Investors in the agricultural sector as well be encouraged with tax holidays, soft loan.

Madugba, Ekwe and Okezie (2016) evaluated the contribution of oil revenue to economic development in Nigeria. They examined the impact of growth rate in oil revenue and growth rate in GDP and growth rate in total federally collected revenue in Nigeria between 1991 and 2012. The regression analysis SPSS version 20 was used in analyzing the data. Results showed that a unit change in growth rate of oil revenue will lead to an equal unit change in growth rate of GDP. Two of the estimated coefficients of the models used are positively correlated and therefore they concluded that growth rate in oil revenue significantly impacted on both growth rates in GDP and in growth rate in total federally collected revenue. In effect they advised that the government needs to ensure that multinational oil companies are involved in corporate social responsibility in their host communities in order the unhealthy atmosphere. They advised further that the government needs to put policy in place to reduce the social unrest pervading the host communities; to stop the unwholesome activities of smugglers; to diversify the economy and establish anticorruption agency that can curb looting of public funds.

Musa, Sunusi, Sabiu and Abdullahi (2016) analyzed the impact of oil revenue on the Nigerian Economy. They examined the Nigeria's oil rent and its impact on the country's national development during the recent democratic transition period (1999-2010).The ordinary least squares (OLS) regression of real GDP per capita on oil revenues and a host of other independent variables covering the period 1980-2010 were used. The findings revealed that oil has no significant impact on both overall economic development and all individual sectors except for the case of agricultural sector, as the estimated coefficient of oil in all equations is either negative or positive but not statistically significantly different from zero. They recommended that revenues earned from oil exports should be channelled to productive activities that could create jobs, boost income, improve living standards, eradicate poverty, and promote overall growth and development in economic terms. They also advised that efforts should be made to introduce and implement genuine reforms to allow oil to play a key beneficial role in the economic development process of Nigeria.

Asagunla and Agbede (2018) carried out a research on Oil Revenue and Output Growth in Nigeria. The objective of the study was to examine the contribution of the oil revenue to Nigerianoutput growth from 1981 to 2014.The research used the completely adapted ordinary least squared method (FMOLS) to analyze the relationship using the Beghebo and Atima model with little change. Data from the Statistical Bulletin of the Central Bank of Nigeria and the Statistical Bulletin of the Nigerian National Petroleum Corporation were obtained for the period 1981-2014.The study showed that oil sales do not have a short-term effect on the economic activities of Nigeria. However, the long-term result of this policy was a sterling story, when it was discovered that the continuing rise in oil sales would eventually lead to the potential economic development of the country. The researchers, however, recommended that the government make effective and productive use of the oil fund in strategic development projects to reduce the rate of poverty and promote production growth.

2.4.1 Summary of Empirical Review

S/N	RESEARCHER	YEAR	TOPIC	FINDINGS	GAPS
1	Ibeh	2013	The Impact of Oil Revenue on Economic Growth in Nigeria	There is a positive, significant relationship between oil revenue and economic growth in Nigeria	Source of data; used only oil revenue and gross domestic product
2	Nweze and Edame	2016	Empirical Investigation of Oil Revenue and Economic Growth in Nigeria	There is a positive relationship in the long-run but has a negative relationship with economic growth in the short-run	Source of data; used only government expenditure, oil revenue and gross domestic product
3	Nwoba and Abah	2017	The impact of Crude Oil Revenue (COR) on Economic Growth in Nigeria	The extent of crude oil on contribution to economic growth in Nigeria was significant. Also, crude oil proceed and that of multinational oil companies in Nigeria have impacted positively and significantly on economic growth and development in	Source of data; used only 4 Multinational Companies, crude oil proceeds and gross domestic product

				Nigeria	
4	Adebayo, Adeduno and Dada	2014	Impact of Oil Revenue on Economic Development in Nigeria	There exist a positive relationship between oil revenue and economic development in Nigeria	Source of data; used only oil revenue and non-oil revenue earnings in Nigeria
5	Ogbonna and Appah	2012	Petroleum Income and Nigeria Economy: Empirical Evidence	Petroleum Income (Oil Revenue and Petroleum Profit Tax) had positively and significantly impacted the Nigerian when measured by GDP and PCI	Source of data; used only oil revenue, GDP, per capital income, inflation, petroleum profit tax/royalties and licensing fees
6	Ebo	2019	A Critical Evaluation of Implications of Oil Revenue for Nigeria Economic Growth	Revenue from oil positively and significantly impacted on Nigeria's economic growth	Source of data; used only crude oil revenue, total expenditure and gross domestic product

7	Madugba, Ekwe and Okezie	2016	Contribution of Oil Revenue to Economic Development in Nigeria	Growth rate in oil revenue significantly impacted on both growth rate in GDP and in growth rate in total federally collected revenue	Source of data; used only growth rate in oil revenue, GDP and total federal collected revenue in Nigeria
8	Musa, Sunusi, Sabiu and Abdullahi	2016	Analysis of the Impact of Oil Revenue on the Nigerian Economy	Oil has no significant impact on both overall economic development and all individual sectors with the exception of agricultural sector, as the estimated coefficient of oil in all equations is either negative or positive but not statistically significantly different from zero	Source of data; used only GDP per capita in constant local currency price, oil revenue, education expenditure, health expenditure, transport and expenditure, agriculture expenditure, labour force and investment capital
9	Asagunla and	2018	Oil Revenue and	Oil Revenue does not	Source of

Agbede		Output Growth in Nigeria	have short impact on the economic activities of Nigeria. However, in the long run, it revealed that the persistent rise in oil revenue will ultimately lead to future economic growth of the country	data; used only GDP, oil revenue, inflation rate, unemployment rate and per capita income

2.4.2 Gaps in Literature

Many of the empirical reviews revealed the revenue from oil is being measured by Gross Domestic Product, Per Capital Income, Government Expenditure, and Total Expenditure unlike this research that measures oil revenue, inflation and exchange rate as against Gross Domestic Product. The different methodologies used by the diverse authors, the settings or surroundings under which the studies were carried out, the nature of data, sources in different jurisdictions and policy thrust among others could also account for the gaps in literature.

CHAPTER 3

METHODOLOGY

3.1 Preamble

This chapter explains the research design, research method and the population of the study. It also provides details relating to the sources of data which is primary and secondary data and how it was derived. The sampling size and technique used will also be discussed in this research methodology. Other important aspects of the methodology contained in this chapter include; method of data analysis, method of data collection and model specification.

3.2 Research Design

To achieve the objective of this study, an ex-post facto research design was employed using time series data obtained from various Annual Reports by the Central Bank of Nigeria (CBN).

3.3 Population of the Study

The population of the study consists of the whole economy of Nigeria.

3.4 Sample Size and Sampling Technique

Based on the large economy, the sample size shall be limited to the oil revenue especially as it relates to inflation, exchange rate and economic growth.

3.5 Sources of Data

The main source of data for this study is the secondary data obtained from annual report release by the Central Bank of Nigeria (CBN) for nineteen years (2000-2018).

3.6 Method of Data Collection

The study used time series data collected from various years from the Central Bank of Nigeria (CBN) Annual Reports.

3.7 Method of Data Analysis

The quantitative method of data analysis will be used to analyze the data of this research work. The study will be carried out in four ways. Firstly, the model summary table will be used to provide the R (simple correlation) and R^2 values (how much of the total variation in the

dependent variable can be clarified by the independent variables). Secondly, the ANOVA table was used to reports how well the regression equation fits the data (i.e. predicts the dependent variable). Thirdly, in order to provide the essential information to infer the dependent variable from the independent variable, the coefficient table was used to determine if the independent variable contributed significantly to the model. Lastly, this study used multiple regression analysis to establish the relationship between the variables.

3.8 Model Specification

Using Multiple Linear Regression Model, the following functional relationships were formulated for the study:

The model of this study is expressed in functional form as

$$GDP = f(INFL, OR, EXCHRATE)\dots\dots\dots\dots\dots\dots\dots\dots\dots(1)$$

It can be expressed in equation form as shown below:

$$GDP = \alpha i + \lambda 1 INFL + \lambda 2 OR + \lambda 3 EXCHRATE + \pounds t\dots\dots\dots\dots(2)$$

Where:

GDP = Gross Domestic Product

OR = Oil Revenue

INFL = Inflation

EXCHRATE = Exchange Rate

CHAPTER 4

DATA ANALYSIS AND RESULTS

4.1 Preamble

Model summary table provides the R and R^2 values. The R value represents the simple correlation, while R^2 indicates how much of the total variation in the dependent variable can be explained by the independent variables

The next table is the **ANOVA table**, which reports how well the regression equation fits the data (i.e. predicts the dependent variable). This table shows that the regression model predicts the dependent variable significantly well. The value of the regression row with its significance indicates the statistical significance of the regression run. Where the p value is less than 0.05, it demonstrates that, overall, the regression model significantly predicts the outcome variable (i.e., It's a nice match for the data), otherwise if it is more than 0.05, overall, the regression does not greatly forecast the effect feature, it reveals.

The **coefficients table** provides the necessary information to predict the dependent variable from the independent variable, as well as determine whether the independent variable contributes statistically significantly to the model. The values in the 'unstandardized coefficients' is made use of.

With a **multiple regression**, the R represents the multiple correlation coefficients and it is one measure of the quality of the prediction of the dependent variable. The coefficient of decision is also called R2, which describes the proportion of variation in the dependent variable that can be explained by the independent variables.

The F- ratio in the **ANOVA table** tests whether the overall regression model is a good fit for data. The table shows how the independent variables statistically significantly predict the dependent variables. If the F-statistics value showed a p-value that is less than 0.05, the regression is a good fit of the data; otherwise if the p-value is more than 0.05, then it is not statistically significant to predict the data and not a good fit of the data.

When all other independent variables are kept constant, the **unstandardized coefficients** display how frequently the dependent variable changes from an independent variable.

4.2 Results

Hypothesis 1

Effect of inflation on gross domestic product (proxy for economic growth)

Table 4.1 (a):Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.086[a]	.007	-.051	.94850

a. Predictors: (Constant), Inflation

Table 4.1 (b):ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.115	1	.115	.128	.725[b]
	Residual	15.294	17	.900		
	Total	15.409	18			

a. Dependent Variable: lnGDP

b. Predictors: (Constant), Inflation

Table 4.1 (c):Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	31.523	.711		44.316	.000
	Inflation	-.020	.055	-.086	-.357	.725

a. Dependent Variable: lnGDP

From the regression tables above (Tables 4.1a - 4.1c), the model summary result revealed that there is a negative but a weak correlation between inflation and economic growth of Nigeria. This is reflected on the value of the co-efficient of the correlation (R) which is 0.086. This value indicates that the strength of the relationship of the two variables under study is about 8.6%. The co-efficient of determination (R^2) showed a value of 0.007 which indicates about 0.70%. This result implies that on the average about 0.07% variations in economic growth within the period

under review is systematically explained by changes in inflation. Thus, not more than 99.30% variations in the gross domestic product remain unexplained by this explanatory variable. The coefficient value is -0.020 with a corresponding p value of 0.725. This is higher than the 0.05 (5%) significance level. This depicts a statistically no significant relationship between inflation and economic growth. We therefore accept the null hypothesis of no significant impact and reject the alternate hypothesis of significant impact.

Hypothesis 2

Effect of Oil Revenue on economic growth of Nigeria

Table 4. 2 (a): Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.708[a]	.501	.471	.67266

a. Predictors: (Constant), lnOIL

Table 4. 2 (b):ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	7.717	1	7.717	17.055	.001[b]
	Residual	7.692	17	.452		
	Total	15.409	18			

a. Dependent Variable: lnGDP
b. Predictors: (Constant), lnOIL

Table 4.2 (c): Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	-1.966	8.052		-.244	.810
	lnOIL	1.146	.278	.708	4.130	.001

a. Dependent Variable: lnGDP

From the regression tables above (Tables 4.2a - 4.2c), the model summary result reveals that there is a positive and strong correlation between oil revenue and economic growth of Nigeria. This is reflected on the value of the co-efficient of the correlation (R) which is 0.708. This value reveals that the strength of the relationship between the two variables under study is about 70.8%. The co-efficient of determination (R^2) showed a value of 0.501 which indicates about 50.1%. This result implies that on the average about 50.1% variations in economic growth within the period under review is systematically explained by changes in oil revenue. Thus, not more than 48% variations in the gross domestic product remain unexplained by this explanatory variable. The coefficient value is 1.146 with a corresponding p value of 0.001. This is lower than the 0.05 (5%) significance level. This depicts a statistically significant relationship between oil revenue and economic growth. We therefore reject the null hypothesis of no significant impact and accept the alternate hypothesis of significant impact of oil revenue on economic growth.

Hypothesis 3

Effect of exchange rate on economic growth

Table 4.3 (a): Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.726[a]	.527	.499	.65501

a. Predictors: (Constant), Exchange Rate

Table 4.3 (b): ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	8.115	1	8.115	18.915	.000[b]
	Residual	7.294	17	.429		
	Total	15.409	18			

a. Dependent Variable: lnGDP

b. Predictors: (Constant), Exchange Rate

Table 4.3 (c): Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	29.563	.423		69.945	.000
	Exchange Rate	.010	.002	.726	4.349	.000

a. Dependent Variable: lnGDP

From the regression tables above (Tables 4.3a-4.3c), the model summary result indicated that there is a positive and strong correlation between exchange rate and economic growth of Nigeria. This is reflected on the value of the co-efficient of the correlation (R) which is 0.726. This value indicates that the strength of the relationship between the two variables under study is about 72.6%. The co-efficient of determination (R^2) showed a value of 0.527 which indicates about 52.7%. This result implies that on the average about 52.7% variations in economic growth within the period under review is systematically explained by changes in oil revenue. Thus, not more than 47% variations in the gross domestic product remain unexplained by this explanatory variable. The coefficient value is 0.010 with a corresponding p value of 0.000. This is lower than the 0.05 (5%) significance level. This depicts a statistically significant relationship between exchange rate and economic growth. We therefore reject the null hypothesis of no significant impact and accept the alternate hypothesis of significant impact of exchange rate on economic growth.

Overall regression of the dependent variable (economic growth) and independent variables (inflation, oil revenue and exchange rate)

Table 4.4 (a): Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.945[a]	.892	.871	.33244

a. Predictors: (Constant), Inflation, Exchange Rate, lnOIL

Table 4.4 (b): ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	13.751	3	4.584	41.474	.000[b]
	Residual	1.658	15	.111		
	Total	15.409	18			

a. Dependent Variable: lnGDP

b. Predictors: (Constant), Inflation, Exchange Rate, lnOIL

Table 4.4 (c): Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.900	4.391		.661	.519
	Exchange Rate	.009	.001	.658	7.203	.000
	lnOIL	.933	.150	.576	6.236	.000
	Inflation	-.020	.022	-.087	-.915	.374

a. Dependent Variable: lnGDP

From the overall regression tables above (Tables 4.4a-4.4c), the model summary result indicated that there is a positive and strong correlation between gross domestic product and the selected payment system platform in Nigeria. This is reflected on the value of the co-efficient of the correlation (R) which is 0.945. This value indicates that the strength of the relationship between gross domestic product (proxy for economic growth) and the independent variables under study is about 94.5%. The co-efficient of determination (R^2) showed a value of 0.892 which indicates about 89.2%. This result implies that on the average about 89.2% variations in economic growth within the period under review is systematically explained by changes in all the independent variables. Thus, more than 10% variations in economic growth remain unexplained by these variables. Since $F_{(3, 15)}$ with its corresponding p- value of 0.000 is less than the 0.05(5%) level of significance, we reject the null hypothesis of no significant impact and relationship between

economic growth and the specified independent variables and accept the alternate hypothesis of significant impact and relationship.

The overall regression model therefore can be stated as:

GDP = 2900 + 0.009(EXCR) + 0.933(OIL) − 0.020 (INFL) + μ

4.3 Discussion on Findings

This section of the study discussed the results of the estimation in line with the objectives of the study. There are three specific objectives in this study.The first goal of evaluating whether the effect of inflation on the gross domestic product has a favorable relationship has been reached by reducing inflation against the gross domestic product, which is responsible for economic growth. The outcome showed that there is a negative but poor correlation between inflation and Nigeria's economic development. The result agrees with Nweze and Edame (2016), which concluded that short-term economic growth has a detrimental relationship, but is contrary to Asagunla and Agbede (2018).

The second goal of deciding whether the impact of oil revenue on economic growth has a favorable association was accomplished by reducing oil revenue against economic growth. The outcome shows that a positive and clear link existed between Nigeria's oil revenue and economic development. The finding is consistent with Nwoba and Abah (2017) as well as Ibeh (2013), which concluded that Nigeria has a positive, important relationship between oil revenue and economic development, but disagrees with Musa, Sunusi, Sabiu and Abdullahi (2016).

The third goal of evaluating whether the exchange rate's influence on economic growth is important was accomplished by growing the exchange rate's impact on economic growth. The outcome showed a favorable and clear link between Nigeria's exchange rate and economic development. This result coincides with the finding of Nweze and Edame (2016) that there is a strong long-term association with economic development.

CHAPTER 5

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of the Study

This study examined the impact of oil revenue on the economic growth of Nigeria. Previous study and literatures have also treated this topic but the different methodologies used by different authors, the geographical settings under which the studies were carried out, the period under study, the nature of data and its sources, among others that could also make this research unlike other previous researchers work is also the scope of this study.

This study consists of five chapters. The chapter one checked into the background of the study, described the problem of the study, likewise the delimited objectives of the study, research questions and hypothesis on which the investigation was to be conducted on were formulated. Chapter one also foregrounded the justification and significance of this research and as well described its scope. Terminologies important to the research were defined according to their contextual use in the study. In succinct, the chapter one served as the introduction to the study.

The chapter two addressed the three important aspects of the study. The conceptual review emphasized on the Nigerian Petroleum Industry, Revenue, Oil Revenue and its Distribution in Nigeria, Nigerian Government Revenue, Gross Domestic Product, Inflation and Exchange Rate. The theoretical review was the Harod-Domar Growth Model, AK Model and Solow Growth Model being the theoretical framework. The empirical review of prior research studies were highlighted with different factors using in their measurement of oil revenue and economic growth and other factors. It also included their findings and recommendations.

Chapter three presented the methodology for the study. The chapter basically discussed the research design, area and the population of the study. It provided information about the source of data which is secondary data and how it was derived and disclosed. An appropriate sample size was determined using purposive simple random sampling technique. Method of data collection and model specification were explained. Moreover, the appropriate functional relationship, just as the associated model, techniques for the evaluation of the model coefficient were represented.

In chapter four, the data were analyzed. This section of the study gives the summary of the data and its interpretation just as the findings and their implications.

5.2 Conclusion

In a bid to look at the impact of oil wealth on the Nigerian economy, gross domestic product was used as a unit of measuring economic growth which serves as our dependent variable in the models implemented in this project work. Apart from oil revenue being one of the explanatory variables, other variables that could clarify RGDP in the model were also included. These variables include oil revenue, inflation and exchange rate.

5.3 Recommendations

For the nation to benefit profitable more from oil revenue, the researcher made the following recommendations;

a. The Nigerian government should invest more on the economic sectors that has important and direct impact on the economy in order to improve the value of gross do0mestic product.

b. Government should concentrate not only on oil revenue generation but should also re-direct its attention to proper management of the revenue and efficient control of required expenditure.

c. Government should use the oil-generated income to invest in many domestic sectors such as Agriculture and manufacturing sector in order to extend the revenue base of the economy and also raise the income.

d. Oil-generated revenue should be used judiciously and well accounted for.

e. Government should encourage local and international investors to contributeto the oil sector.

5.4 Areas for further study

This research work focused on the impact of oil revenue on the economic growth of Nigeria. With specification on the impact of oil revenue, inflation and exchange rate on the GDP. Therefore, the researcher suggests that further studies should be carried out on other types or

sources of revenue in order to discover which revenue has the most important effect on the economic growth and which does not. With that way, regulatory authorities will proffer solutions to improve the one with less effect on the country's economic growth

Future researchers should look into the significant contribution of the income from oil on Nigeria's economic growth as a whole because oil revenue is one of the essential source of revenue in Nigeria.

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Appendix

YEAR	GDP	INFLATIONRATE	OIL REVENUE	EXCHRATE	lnGDP	lnOIL
2000	6897482480970.59	6.5	1591675800000.00	106.71	29.56	28.1
2001	8134141808205.78	18.9	1707562800000.00	112.99	29.73	28.17
2002	11332252815560.30	12.9	1230851200000.00	126.88	30.06	27.84
2003	13301558863221.80	14	2074280600000.00	137.22	30.22	28.36
2004	17321295244331.10	15	3354800000000.00	132.86	30.48	28.84
2005	22269977831018.60	17.9	4762400000000.00	130.29	30.73	29.19
2006	28662468773837.60	8.2	5287566900000.00	128.29	30.99	29.3
2007	32995384349769.30	5.4	4462910000000.00	118.21	31.13	29.13
2008	39157884386237.20	11.6	6530600000000.00	126.48	31.3	29.51
2009	44285560502235.90	16.2	3191937975800.00	149.69	31.42	28.79
2010	54612264176577.90	13.7	5396091049000.00	150.48	31.63	29.32
2011	62980397224984.50	10.3	8878969880000.00	158.21	31.77	29.81
2012	71713935062171.60	12	8025970590113.00	157.32	31.9	29.71
2013	80092563380126.10	8	6809230513616.00	157.27	32.01	29.55
2014	89043615256190.20	8	6793820000000.00	169.68	32.12	29.55
2015	94144960452469.50	9.55	3830096000000.00	196.99	32.18	28.97
2016	101489492201968.00	18.55	2693900000000.00	305.22	32.25	28.62
2017	113711634607831.00	15.37	4109800000000.00	306.31	32.36	29.04
2018	127762545584658.00	12.22	5545800000000.00	306.92	32.48	29.34