INTERNATIONAL JOURNAL OF ACADEMIC RESEARCH IN BUSINESS & SOCIAL SCIENCES

Vol 8, Issue 12, (2018) E-ISSN: 2222-6990

Trade Openness and Tax Revenue Performance in Nigeria (1987-2016)

Johnson A. Egwakhe[1*], Hammed B. Akinlabi[2], & Kehinde Odunsi[3]

Department of Business Administration and Marketing, School of Management Sciences, Babcock University

Email: jegwakhe@gmail.com

To Link this Article: http://dx.doi.org/10.6007/IJARBSS/v8-i12/5188 DOI:10.6007/IJARBSS/v8-i12/5188

Published Date: 28 December 2018

Abstract

The study investigated trade openness effect on tax revenue performance in Nigeria from 1987-2016. A simple econometric model of trade openness was formulated and estimated using Ordinary Least Square (OLS) regression analysis. The unit root tests showed that Tax Revenue Performance is stationary, while trade openness is non-stationary but became stationary after the first differencing. The results revealed that trade openness had negative and significant effect on tax revenue performance in Nigeria. Recommendation focused on export-oriented activities and diversification of export portfolios driven by context-based policies, thus enhance tax revenue yield. In addition, modernization of the tax system in Nigeria through technology adoption will reduce human interface in the processes of taxpayers' registration, filling or declaration of tax returns, tax payment, tax dispute resolution and accountability for ease of doing business.

Keywords: Trade Openness, Tax Revenue Performance, Economic Growth, Free Trade

Introduction

Trade within and cross-border ability to promote economic growth has stimulated a growing body of economic studies since the studies of Grossman and Helpman (1990), Romer (1990) and Young (1991). The resounding question is whether trade policies constitute the engine for economic growth, as stated by the trade-led growth hypothesis (Keho, 2017). Cursory observations seem to consider trade openness as an important determinant of economic growth. Historical analysis of nations' wealth shows that international trade openness played a significant role in the growth process of both developed and developing countries. As such, international organizations such as World trade organization, International Monetary Fund, and World Bank are constantly advising, developing countries, to fast-track the process of trade liberalization towards achieving high economic growth. The prescription is anchored on long-run effect by which trade openness can potentially enhance economic growth through accessibility to goods and services, allocative-efficiency, resource

mobilization and utilization to improve total factor productivity based technology diffusion and knowledge dissemination (Barro & Sala-i-Martin, 1997; Rivera-Batiz & Romer, 1991). Hence, the assumption revolves around countries with more trade openness that will relatively outperform those with less openness as this leads to high economic growth (Tahir & Azid, 2015).

Without doubt, the comprehensive failure in political and economic leadership in managing the affairs and wealth of Nigeria had inevitably brought severe misery to many voiceless and helpless Nigerians. Thus, creating a class system of the haves and the have-not, a zone of *De La Salam* and zone of pace. In addition, Nigeria's post-independence political oligarchy and military elites have plagued the nation's common wealth with impunity, hence, truncating Nigerians access to economic prosperity and quality living condition. Paradoxically, a nation occupying world's eighth largest oil producing position is among poorest. Despite the abundance of numerous natural resources, Nigeria remains highly under developed. Insecurity, inward-looking trade, corruption, lack of vision, and poor leadership weak infrastructural and amenities/social services, are among factors hindering economic development. This work looks at trade openness to justify the observed weakness in tax revenue performance within a time frame.

The increasing prominence of trade openness discourse is motivated by four major gains according to World Trade Organization (2013). These gains come from unilateral trade openness policies, regionalization, and multilateral negotiations. However, Micah, Bbaale, and Hisali (2017) presented five major gains from trade openness which include; allowing countries to export those goods and services that they make efficiently and to import those goods and services that they make inefficiently. Next, trade openness brings about lower prices, enabling increase in real income, and upward growth in consumer and producer welfare. In the same way, trade openness leads to gains in total factor productivity (World Bank, 2014) i.e., freer trade exposes countries to new production technologies that foster higher productivity at both firm and industry level. Lastly, trade openness stimulates income growth in developing countries towards high income countries (Gupta, 2007) and (Frankel & Romer, 1999). These factors have influenced the propensity to trade openness across countries. The empirical position of (World Bank, 2014) demonstrates that trade openness leads to knowledge and technology transfer and that efficient technology, total factor productivity in the economy improves.

Theoretically, the influence of trade openness on imports and revenue performance is considered to be an indirect outcome. This indirect outcome is derived from the response of consumption and production decisions to price elasticity, of which price changes are triggered by trade reforms (Barro, 1994; Blejer & Cheasty, 1999; Tanzi, 1989). For example, a reduction in import tariffs is likely to influence imports and tax revenue performance depending on the elasticity of import demand and price elasticity of supply for import substitutes. This presupposes that if the demand for imports is inelastic, there is a likelihood that import volumes and tax revenue performance will remain unchanged, irrespective of changes in import tariffs and prices. On the other hand, if the demand for imports is elastic, the possibility that import volumes and tax revenue performance will increase owing to changes in import tariffs and prices.

This aforementioned assertion is that trade openness leads to increase in importation and tax revenue. In Nigeria, this becomes a paradox despite implementing trade openness and economic reforms; the revenue performance shows that Nigeria is experiencing lower tax revenue performance. The ripple-effect is limited funding for government infrastructural

projects or capital expenditure. Empirically, the volume of available literature on the relationship and or effect of trade openness on tax revenue (Gaalya, 2015; Gaalya, Edward & Eria, 2017; Karimi, Kaliappan, Ismail, & Hamzah, 2016; Micah, *et. al.*, 2017; Nwosa, Saibu, & Fakunle, 2012; Samia & Sohail, 2016) depicts gaps in findings on the effect of trade openness on tax revenue performance in Nigeria between 1987-2016. Thus, it becomes empirically imperative that evidence regarding the trade openness and tax revenue performance is provided given the strategic importance of taxes to the development of Nigeria. This study is structured as following; literature review, methodology, presentation of results, findings and interpretation and conclusion.

Literature Review

The literature review revolves around concepts, theories and empirical discourse towards deepening insight on current realities regarding the body of knowledge. The concepts depicts operational usage of trade openness and tax revenue, theoretical discourse focused on eclectic paradigm and taxation theory and the empirical aspect looks at local and international position on trade openness and tax revenue. **Trade openness** measures the economic policies resilience either to restrict or invite trade between countries (Gaalya, 2015). Hence, it becomes an ongoing process of greater economic interdependence and interconnectivity among countries reflected in cross-border trade in goods and services. It is measured by share of GDP or import + export/GDP (Khandare, 2016). According to Selahattin and Kutay (2015) trade openness means the ratio of the sum of the import and export volume to the gross national product. Trade Openness appears to denote two forms; trade openness and financial openness. Trade openness is a prerequisite for financial openness; facilitating international free trade flow by the removal of the government restrictions on the trade of goods and services. On the other hand, financial openness is a set of politics aim to remove the restriction and intervention of state on the domestic banking and other financial intermediaries, instruments and the integration of domestic markets to international markets.

In light of this, Adegboyega and Odusanya (2014) explained that trade openness is of two types which are revealed openness and policy openness. Revealed openness is measured in terms of ratio of total foreign trade to gross domestic product (Chigbu & Njoku, 2015). Revealed openness is measured by use of prices (domestic or international) to value the trade ratios. Studies that focus on revealed openness always attempt to understand the linkage between trade openness and economic performance (Dunning, 1993; Dauda, 2007; Abdouli & Hammami, 2017). In other words, the debate deals with harvesting facts regarding whether economies who partake more in global trade have high rate of economic growth that those who abstain from it (Gaalya, 2015). This approach has several disadvantages with reference to political-economic analysis, value of social capital which it divorce itself from explaining why some countries comparative advantage in domestic market, easy access to foreign market, policy openness, and natural endowment (Gaalya, 2015). Policy openness measures various incidence of trade barriers; trade flow adjusted for structural characteristics such as size and factor endowments; and price distortions. However, policy openness is difficult to measure due to qualitative limitations and reliability issues.

Trade openness has its merit and disadvantages, although it enhances competitiveness through reduction in the cost of inputs, financial acquisition, value addition, knowledge and technological transfer, access new markets and new materials and new production means possibilities (Gaalya, 2015). In addition, trade openness encourages

innovation by facilitating exchange of know-how, technology and investment in research and development through foreign direct investment Micha, Bbaale and Hisali (2017). However, Jyoti (2014) terms these advantages as short-term prosperity since it leads to economic exploitation, loss of cultural identity, and even physical harm. In addition, observations revealed that social welfare issues, safety standards, minimum wages, worker's compensation are overlooked in trade openness negations.

Tax revenue represents the amount of money paid to the government derived from personal income, property or goods etc. that is used to pay for public services (Balikeioglu & Fazi, 2016). This revenue constitutes the most important source of revenue for government, typically accounting for about 90 percent or more of their national incomes (Hornby, 2010). The remaining ten percent could come from borrowing and from charging fees for services. Tax is compulsory and does not guarantee a direct relationship between the amount contributed and the services rendered (Bayar & Ozturk, 2018). It is the aggregate of income due to the state, to fund public expenditure (Haiyambo, 2013). Developed countries see it as a stable and consistent source of revenue (Ibanichuka, Akani, & Ikebujo, 2016). Developing countries are gradually embracing tax and strengthening tax reform at various tax agencies to maximize the revenue potential from taxation since this finances public goods (Balikeioglu & Fazi, 2016).

Empirical studies have been conducted along trade openness and tax revenue performance in developing countries in general and Nigeria in particular (Nwosa, *et. al.*, 2012; Raed & Ahmad, 2016). In addition, the work of Micah, *et. al.* (2017) investigated trade openness and tax revenue performance in East African countries with results gravitating towards positive influences total tax, (indirect tax and trade tax). Jaffri, Tabassum, and Asjed (2015) findings are similar to Micah, *et. al*. (2017) a positive significant relationship exists between trade liberalization and tax revenue over the period investigated. The previous study of Micah (2015) on trade liberalization and tax revenue performance in Uganda suggests that exchange rates, trade openness and share of industry to GDP positively influence tax revenue performance while agriculture share to GDP and foreign aid were otherwise.

Anyanwu (2011) extended the debate to trade openness and foreign direct investment (FDI) in Africa with results indicating positive significant relationship between market size and FDI inflow with emphasis on higher financial development, high government consumption expenditure, resource endowment and exploitation (especially for oil) attracts huge FDI into Africa. The work bears profound resemblance to Dunning (1993) theoretical discussion but introduced the thesis from Africa perspective. However, Babatunde, Adenikinju and Adenikinju (2010) perspective on trade openness, infrastructure, FDI and growth in Sub-Saharan African countries shows that FDI depends on trade openness and GDP per capital to stimulate inflow. Gaalya, *et. al.* (2017) further confirmed and sustained the interaction between trade openness and slight increase in FDI inflow with the assertion that FDI has a positive and significant effect on economic growth by implication. Eltaib and Elbeely (2013) indicate that, foreign direct investment has a weak positive effect on the economic growth, while trade openness has a negative effect on economic growth in Sudan between 1972 and 2010. The differential could be attributed to context induced problems such as prolonged political instability, economic isolation, and leadership crisis.

Gaalya (2015) discussed trade openness and tax revenue performance with the results connected to exchange rates, trade openness and GDP to have positively influence tax revenue performance which added credence to Jaffri, *et. al.* (2015) and Nwosa, *et. al.* (2012). Similar, Gaalya, *et. al.* (2017) on trade openness and tax revenue performance in East Africa

countries but direct tax was found to be insignificant. Atif, Farhana and Rooma (2015), Martinez-vazquez and McNab (2000), and Nadeem, Naveed, Zeeshan, and Sonia (2014) found positive relationship between trade openness and tax revenue performance. Nwosa, *et al* (2012) established same positively and significantly impact on tax revenue in Nigeria between 1970 and 2009. Agbeyegbe, Stotsky and Wolde-Mariam (2004) work examined trade openness, exchange rate changes and tax revenue with result indicating a positive relationship between trade openness and tax revenue which Ibanichuke (2016) sustained. In a study by Samia and Sohail (2016) trade liberalization provided no significant but negative effect on tax revenue.

Theoretically, the eclectic paradigm as developed by John Dunning offers a scientific framework for determining the extent and pattern of both foreign-owned production undertaken by a country's own enterprises and also that of domestic production owned by foreign enterprises. This theory is a hybrid of three different theories of FDI, i.e. OLI (Denisia, 2010). From OLI theory four types of FDI derived are a) Resource seeking FDI b) Market seeking FDI c) Efficiency seeking FDI and d) Strategic asset/capabilities seeking FDI. This combines the factors that are key to other theories of FDI namely ownership advantage/specific (O), Location advantage/specific (L) and internalization advantage (I). According to Sean-Leigh (2007), ownership advantage must be present in a host country which is sufficient enough to counter disadvantages of competing with firms in their home country. He said that the advantages are effective production and marketing and at the same time having international competitive advantage over local firms. Similarly, Shenkar (2007) identified natural resources endowments, manpower and capital, technology and information, managerial and marketing skills and organization systems to constitute ownership advantage.

Location advantage is determined by the host country attractiveness to business both in infrastructure and natural endowments. The benefits therefore are both quantitative and qualitative; factors of production (Babatunde, 2012), resources availability (natural and labour), infrastructure (Micah, *et. al.*, 2017), lower costs of transportation and telecommunications (Eltaib & Elbeely, 2013), large market size, attractive government tax (Jaffri, et al (2015), investment policies, cultural relations, and language. For internalization advantage, Buckley and Casson (1976) argued that market imperfections and information asymmetry in intermediate products and knowledge firms create external market towards increasing profits and avoid certain costs.

The eclectic paradigm, like other theories of FDI, has some limitations. First, it does not offer adequate explanation on ownership of specific advantages such as distinctive resources and capabilities and their deployment to exploit international production opportunities. Also, eclectic paradigm does not explicitly delineate ongoing and evolving process of international production and thirdly Buckley, Clegg, Cross, Liu, Voss and Zheng (2007) pointed out that the eclectic paradigm could not analyze the outward FDI from developing countries. Despite the limitations of eclectic paradigm, this theory is relevant to the study considering the quest by the Nigerian government to encourage foreign direct investment in various sectors of the economy.

The eclectic paradigm model was sustained by taxation theory which according to Bhartia (2009) was derived from the assumption that tax payment may not necessary lead to benefits from state activities. This offers two theories, namely: Benefit received theory and Ability to Pay/Faculty Theory. *Benefit received theory*: is pillared on the assumption that there is basically an exchange relationship between tax-payers and the state. The state provides

certain goods and services to the members of the society and they contribute to the cost of these supplies in proportion to the benefits received (Bhartia, 2009). Anyanfo (1996) and Ayuba (2014) argued that taxes allocation should be commensurate with welfares received from government expenditure. *Ability to Pay/Faculty theory* taxation should be anchored on ability to pay. This is an attempt to maximize an explicit value judgment about the distributive effects of taxes. Bhartia (2009) argue that a citizen is to pay taxes just because he can, and his relative share in the total tax burden is to be determined by his relative paying capacity. The underlying principle states that people with higher incomes should pay more taxes than people with lower incomes. This appears logical, scientific and just, since tax levied is based on taxable capacity of an individual or a corporate body so that justice can be achieved.

Methodology

This study adopted ex-post facto research design. It covered the period of 1987-2016. The major source of data was Central Bank of Nigeria's statistical Bulletin. Other sources are World Development Indicators, Federal Inland Revenue Services (FIRS) Annual Report, and National Bureau of Statistics. The variables were trade openness (TO) and tax revenue performance (TRP). Descriptive statistics were used to present trends and preliminary analysis and results depicted in tables, charts to describe the trend of trade openness and tax revenue performance in Nigeria.

Ordinary Least Square Method (OLS) was used to estimate effect of trade openness on tax revenue performance in Nigeria. The unit root analysis presented the characteristics of the variables investigated. The purpose was to determine the order of integration. The unit root test as conducted employed the Augmented Dickey Fuller (ADF) test at constant trend level to test for the presence of or otherwise of unit root and ensure that this study obtained reliable and non-spurious results.

Model Specification

The econometric regression model as designed is based on the assumption that tax revenue performance is a derivative of trade openness:

$TRP = f(TO)$ …….. (1)

Where:

TRP = Tax Revenue Performance

TO = Trade Openness

It assumes linearity in direction and relationship between the variables as expressed in the form of equation (1). Thus, the function was transformed in an econometric equation to reflect the following:

$TRP_t = \alpha_0 + \beta_1 TO_t + \mu_t$ …… (2)

Where:

α_0 = Constant or Intercept

β_1 = Parameter or coefficient of explanatory variable

μ_t = Error term

The research assumption is that trade openness has no significant effect on tax revenue performance in Nigeria between the period of 1987-2016. The apriori expectation $\beta_1 > 0$ i.e. presupposes that a positive significant relationship is expected between trade openness and tax revenue performance. This disposition emerged from the understanding in literature that trade openness will boost development and reduce poverty by generating

growth through increased commercial opportunities and investment, as well as broadening the productive base through private sector development. The aforementioned definitely resulted from higher income tax revenue.

Results and Discussion

This section presents analysis of data collected, interpretations and discussion of findings. It includes the descriptive analysis, unit root analysis, and estimation of the model formulated. Table 4.1 presents a summary of the descriptive statistics of the data used in the study. The results of the descriptive statistics showed that the mean values of trade openness and tax revenue performance are 54.4%, and ₦1.66EBillion respectively. This shows the average values of the variables used for the 30 years under study. Their respective minimum and maximum values are equally shown indicating variations over the years for the respective series. The difference between the maximum and the minimum values for the variables are significantly high, this can be an evidence of low performance with regards to each of the variables. The standard deviation values indicate the dispersion or spread in the data series. The higher the value, the deviation of the series from its mean is expected to be high, and inverse when the value is low, the lower the deviation of the series from the mean.

Table 4.1
Descriptive Statistics on Selected Variables of Nigeria (1987-2016)

	TRP	TO
Mean	1.66E+12	54.37590
Median	6.86E+11	57.90042
Maximum	5.48E+12	81.81285
Minimum	1.40E+10	20.87000
Std. Dev.	1.91E+12	15.15352
Skewness	0.871918	-0.400602
Kurtosis	2.285995	2.487384
Jarque-Bera	4.438454	1.130879
Probability	0.108693	0.568110
Observations	30	30

Source: Researcher's Study, 2017

From the graph below (figure 1), trade openness has an inconsistent growth with direct effect on tax revenue performance. Though, when trade openness nose-dived from 2012 to 2016, tax revenue performance declined accordingly. Therefore, there is likelihood that growth and stability in trade openness, with emphasis on diversification of export from oil to non-oil goods and services to the international market will enhance more tax revenue yield.

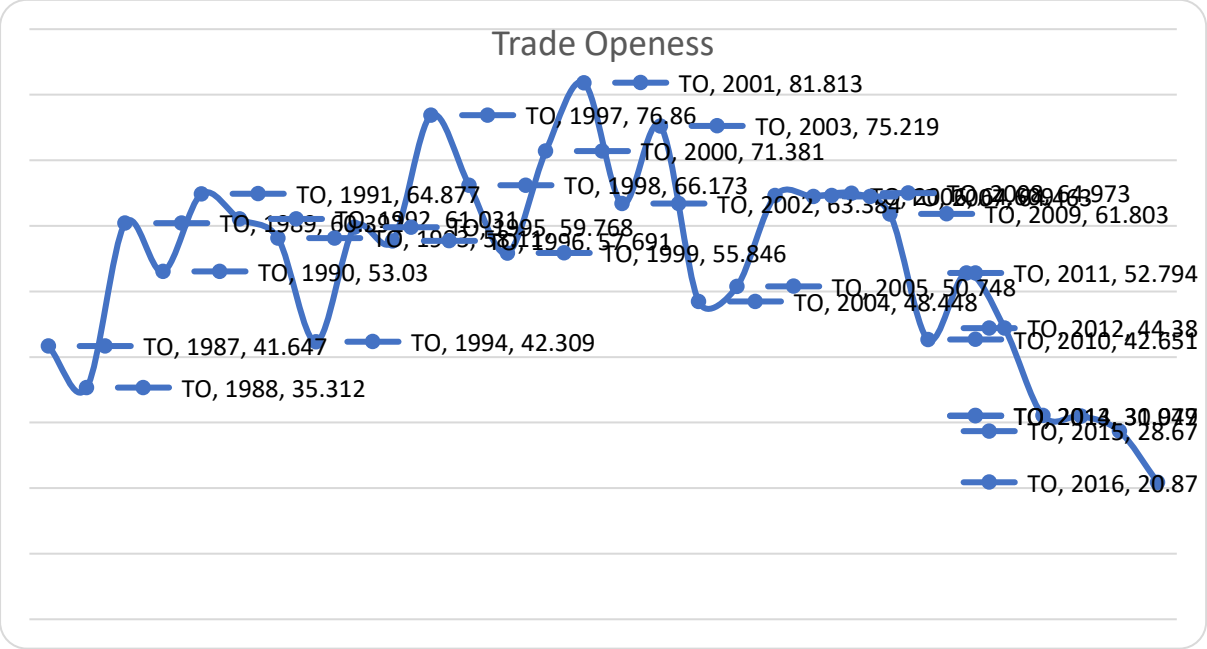

Fig.1a: Trend of Trade Openness **Source: Researcher's study, 2017**

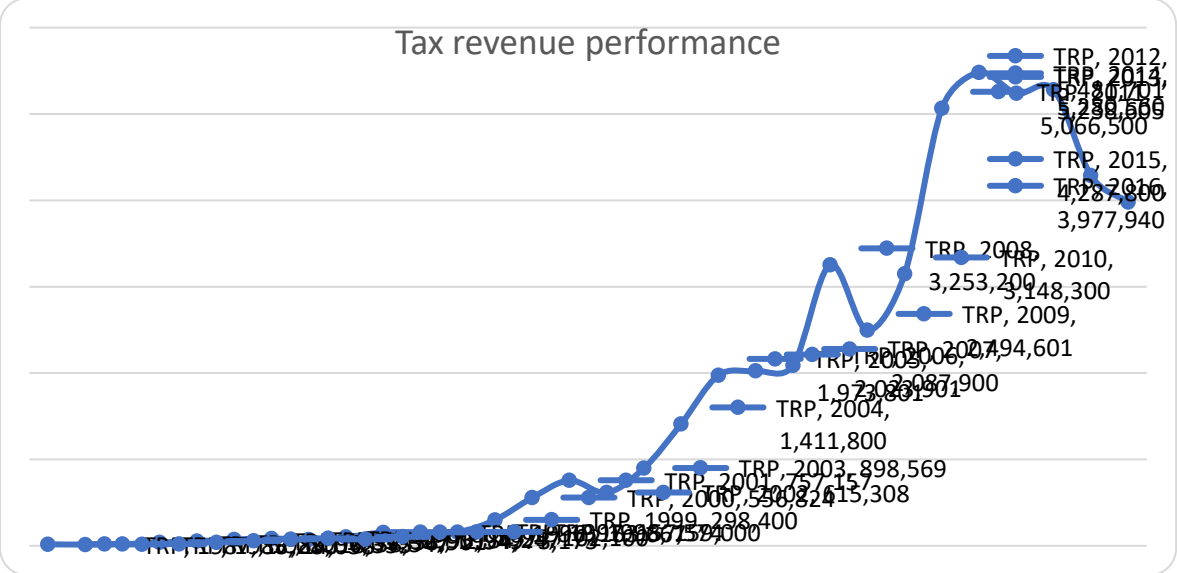

Fig.1b: Trend of Tax Revenue Performance Source: Researcher's study, 2017

The Unit Root Test was conducted to establish the robustness of the data used. Table 4.2 gives a presentation of the unit Root test using the Augmented Dickey-Fuller approach for the selected variables used in the study. From the analysis, only TRP (Tax Revenue Performance) is stationary at level, TO (trade openness) is non-stationary. It only became stationary after the first differencing. The data series were thereafter used to carry out regression analysis in the study.

Table 4.2
Augmented Dickey-Fuller Unit Root Test

Series	Levels	First Difference	Second Difference	Decision
TO	-1.408646	-5.244630	-4.802088	I(1)
TRP	-6.554013	-5.701999	-3.676568	I(0)
Critical Value at 10% level Levels: -3.24		1st Diff: -3.24	2nd Diff: -3.26	

Source: Researcher's Statistical Analysis, 2017

The linear regression analysis shows the relationship between dependent and independent variables. It was used to determine effect of trade openness on tax revenue performance in Nigeria. The results in Table 4.3 revealed that tax revenue performance is negatively related with trade openness. The coefficient of the constant is 5320168, suggests that holding trade openness constant, tax revenue performance would be N5, 320, 168 billion. The coefficient of trade openness is -67313.68 with a p-value of 0.0024. The significant p-value of trade openness indicates that if trade openness is reduced, there will be increase in the tax revenue in Nigeria.

Table 4.3
Regression Estimate of effect of trade openness on tax revenue performance in Nigeria.

Variable	**Model 2 (TRP)**			
	Coefficient	**Std Error**	**T**	**Prob.**
C	5320168.	1136375.	4.681701	0.0001
TO	-67313.68	20155.60	-3.339702	0.0024***
Adjusted R-Square	0.284			
F-stat	11.1536	0.0024***		
Ramsey RESET Test	1.9153	0.1777		
Jaque-Bera Test	2.8961	0.2350		
Heteroscedasticity test	2.9616	0.0853		

Note: ***,** and * indicate 1%, 5% and 10% level of significance respectively. The variable names remain as described in the model.

This contradicts the view that reduction or outright elimination of tariff would have negative consequences for the fiscal stability of the country. The consequent reduction in tariff eventually results into reduced tax revenue unless appropriate measures are deployed to strengthen the domestic tax system. The result negates the apriori expectation of a positive relationship. The result could be attributed to the recent recession that ravage the Nigerian economy with double quarters negative growth of -0.36 and -2.06 in Quarter 1 and Quarter 2 respectively of 2016 (Central Bank of Nigeria, 2016). The Nigeria's GDP fell by about 1.24% to $296 billion dollars. The contraction of economic activities resulted in the erosion of the value of Naira in the forex market, misaligned currency and forex shortages, high interest rate environment as well as trade and import restrictions (Benjamin, 2017). From the regression result, the Adjusted R^2 value of 0.284 indicates that trade openness explained 28.4% variations in tax revenue performance in Nigeria in the period studied. The F-statistics of 11.1536 and p-value of 0.0024 shown that trade openness significantly influenced variations in tax revenue performance. The standard error value at 20155.60 indicates that some level of confidence can be placed on the estimate. Hence the null

hypothesis that trade openness has no significant effect on tax revenue performance in Nigeria is rejected.

Discussion of Findings

The study sought to ascertain the effect of trade openness on tax revenue performance in Nigeria. The finding revealed that Trade Openness has negative and significant effect on Tax Revenue Performance (β_1 = -67313.68<0). This means that a 1% increase in Trade openness (inward orientation) will lead to ₦67,313,680 decrease in Tax Revenue Performance. This finding disagrees with most empirical past findings on the effect of trade openness on tax revenue performance. Micah, *et. al.* (2017) investigated trade openness and tax revenue performance in East African countries. The study sought to establish the effects of trade openness on different categories of taxes. It was found that the average tariff rate used as a measure for trade openness positively influenced total tax, indirect tax and trade tax. Jaffri, Tabassum, and Asjed (2015) investigated the relationship between trade liberalization and tax revenue in Pakistan and the result of the study indicated that, a positive relationship between trade liberalization and tax revenue exists, over the period of investigation. This is due to the fact that duty rates on import are higher than other developing nations which have contributed in raising tax revenue. Micah (2015) studied trade liberalization and tax revenue performance in Uganda. The results suggested that exchange rates, trade openness and share of industry to GDP positively influence tax revenue performance while the agriculture share to GDP and foreign aid negatively influence tax revenue performance.

Importantly, the coefficient for trade openness that is used as a proxy for trade liberalization indicates a positive influence on tax revenue performance. Also, the finding of this study is contrasting with that of Gaalya (2015) who empirically investigated trade openness and tax revenue performance in Uganda with the results suggesting that exchange rates, trade openness and GDP positively influence tax revenue performance while the agriculture share to GDP and foreign aid negatively influence tax revenue performance. Similar study conducted by Gaalya, *et. al.* (2017) on trade openness and tax revenue performance in East Africa countries for the period 1994-2012, found that trade openness positively influences total tax, indirect tax and trade tax. Though, the relationship between trade openness and direct tax is also found to be insignificant. Atif, Farhana, and Rooma (2015); Martinez-vazquez and McNab (2000); Nadeem, Naveed, Zeeshan, and Sonia (2014); and Sumera, Khuda, and Sarfraz (2012) all found a positive relationship between trade openness and tax revenue performance. Nwosa, *et. al.* (2012), had same result that trade openness impacted positively and significantly on tax revenue in Nigeria for the period 1970-2009. In addition, the finding contradicts the finding of Agbeyegbe, Stotsky, & Wolde-Mariam (2004) who examined the relationship between trade openness, exchange rate changes and tax revenue the study and found that the relationship between trade openness and tax revenue is not strongly linked to higher income tax revenue.

Conclusion and Recommendations

The paper investigated the effect of trade openness on tax revenue performance in Nigeria. The data sources used were retrieved from the Central Bank of Nigeria's statistical Bulletin, FIRS's Annual Report, and National Bureau of Statistics from 1987 to 2016. The paper examined the existence of relationship between trade openness on tax revenue performance in Nigeria. The paper applied OLS regression to test the null hypothesis that trade openness

has no significant effect on tax revenue performance in Nigeria. The results rejects the null hypothesis, and confirms that trade openness had negative and significant effect on tax revenue performance (β_1 = -67313.68, t (300) = -3.339702 p<0.05). This is due to the fact that duty rates on import in Nigeria during the periods of study were higher than other developing nations which had contributed to decrease in tax revenue.

The result of this study to great extent will assist tax authorities to curb corruption such as tax evasion and avoidance, within the domestic and multinational corporation in Nigeria. The study also avails the policy makers opportunity to focus and take appropriate action on the need to create enabling and conducive environment in order to attract more FDI inflow as well as attain improvement in tax revenue performance which is expected to have positive effect on the social and economic welfare of the citizenry. The findings of this paper corroborate the assumptions of Eclectic OLI-theory and contribute empirically as regards the trade-openness and tax revenue performance relationship from the Nigerian context. The paper recommended that export-oriented activities and diversification of the economy should be the focus of the government at all level, thus enhance more tax revenue yield accruable to the Nigerian economy. The study suggests that further comparative studies among more African countries should be investigated after a change of government, on trade openness and tax performance.

References

Abdouli, M., & Hammami, S. (2017). An econometric study of the impact of economic growth, human capital and environmental degradation on FDI inflows in the African Mediterranean countries. *Business Economics Journal*, *8*(1), 280-285.

Adegboyega , B. S., & Odusanya, A. I. (2014). Empirical analysis of trade openness, capital formation, FDI, and economic growth: Nigeria experience. *The International Journal of Social Sciences and Humanities Invention, 1*(1), 36-50.

Agbeyegbe, T., Stotsky, J. G., & WoldeMariam, A. (2004). *Trade liberalization, exchange rate changes, and tax revenue in Sub-Saharan Africa*. IMF Working Paper, No. 178.

Anyanwu, J. C. (2011). Why does foreign direct investment go where it goes? New evidence from African countries. *Annals of Economics and Finance, 13*(2), 425–462.

Atif, A. J., Farhana, T., & Rooma, A. (2015). An empirical investigation of the relationship between trade liberalization and tax revenue in Pakistan. *Pakistan Economic and Social Review, 53*(2), 317-330.

Babatunde, A. S. (2012). The impact of tax incentives on foreign direct investment in the oil and gas sector in Nigeria. *Journal of Business and Management, 6*(1), 1-15.

Babatunde, A. M., Adenikinju, O., & Adenikinju, A. (2010). Oil price shocks and stock market behaviour in Nigeria. *Journal of Economic Studies, 5*(16), 23-38.

Balikeioglu & Fazi, (2016)

Barro, R. J., & Sala-i-Martin, X. (1997). Technological diffusion, convergence, and growth. *Journal of Economic Growth, 2*(1), 1-26.

Barro, R. J. (1994). Democracy & growth (No. w4909). *National Bureau of Economic Research*, Massachusetts.

Bayar, & Ozturk, O. F. (2018). Impact of foreign direct investment inflows on tax revenue: The case of OECD countries. *Theoretical and Applied Economics, 15*(1), 31-40.

Bhatia, H. L. (2009). *Public finance* (13th ed.). New Delhi: Vikas Publishing House PVT Ltd.

Blejer, M., & Cheasty, A. (1990). Fiscal implications of trade liberalization. In: Tanzi, V., Ed., fiscal policy in open developing economies, International Monetary Fund. *Washington DC,* 66-81.

Bukie, O. H., Adejumo. O. T., & Edame, G. E. (2013). The effects of tax revenue on economic growth of Nigeria. *International Journal of Humanities and Social Science, 2*(6), 16 – 26.

Central Bank of Nigeria. Annual Reports and statistical bulletin, 1990-2017

Chigbu, E. E., Akujuobi, L. E., & Appah, E. (2012). An empirical study on the causality between economic growth and taxation in Nigeria. *Current Research Journal of Economic Theory, 4*(2), 29-38.

Chigbu, E. E. & Njoku, J. F. (2015). Multinational corporation and the Nigerian political economy. *The Nigerian Journal of Economic and Social Studies (NJESS), 4*(35),67-70.

Dauda, R. O. S. (2007). The impact of FDI on Nigeria's economic growth: Trade policy matters. *Journal of Business and Policy Research, 3*(2), 12-17.

Denisia, V. (2010). Foreign direct investment theories: An overview of the main FDI theories. *European Journal of Interdisciplinary Studies, 2*(2), 104-110.

Dunning, J. H. (1993). *Multinational enterprises and the global economy*. Workingham: Addison Wesley Publishing Company.

Eltaib, S. A. E., & ELbeely, K. H. (2013). The Impact of trade liberalization and foreign direct investment flows on economic growth: Sudan experience 1972 – 2010. *University of Bakht Alruda Scientific Journal, 8*(1), 181-194.

Frankel, J. A. & Romer, D. (1999). Does trade cause growth? *American Economic Review, 8*9, 379-399.

Gaalya, M. S. (2015). Trade liberalization and tax revenue performance in Uganda. *Modern Economy, 6(*1*),* 228-244.

Gaalya, M. S., Edward, B., & Eria, H. (2017). Trade openness and tax revenue performance in East Africa countries. *Modern Economy, 8*(1), 690-711.

Grossman, G. M., & Helpman, E. (1990). Comparative advantage and long-run growth. *American Economic Review, 80*, 796–815.

Gupta, A. (2007) Determinants of revenue efforts in developing countries. IMF Working Papers, 1-39. https://doi.org/10.5089/9781451867480.001

Haiyambo, E. (2013). *Tax incentives and foreign direct investment: The Namibian Experience.* (Unpublished Thesis), Business Polytechnic of Namibia. xx

Ibanichuka, E. L., Akani, F. N., & Ikebujo, O. S. (2016). A time series analysis of effect of tax revenue on economic development of Nigeria. *International Journal of Innovative Finance and Economics Research, 4*(3), 16-23.

Jaffri, A. A., Tabassum, F., & Asjed, R. (2015). An empirical investigation of relationship between trade liberalization and tax revenue in Pakistan. *Pakistan Economic and Social Review, 53*(2), 317-330.

Jyoti, K. (2014). Foreign direct investment and economic growth: A literature survey. *Journal of Management Research, 6*(2), 118-130.

Karimi, M., Kaliappan, S. R., Ismail, N. W., & Hamzah, H. Z. B. (2016). Does trade liberalization affect international tax revenue? Evidence from dynamic panel threshold method. *Journal of Economic Studies, 25*(1), 75-87.

Keho, Y. (2017). The impact of trade openness on economic growth: The case of Cote d'Ivoire. *Cogent Economics & Finance, 5*, 1-14.

Khandare, V. B. (2016). Impact of exchange rate on FDI: A comparative study of India and China. *International Journal of Applied Research. 2*(3)*,* 599-602

Micah, M. S. (2015). Trade liberalization and tax revenue performance in Uganda. *Modern Economy, 6*(1)*, 2*28-244.

Micah, S., Bbaale, E. & Hisali, E. (2017). Trade openness and tax revenue performance in East African countries. *Modern Economy, 8*(1), 690-711.

Nadeem, I., Naveed, A., & Zeeshan, R. (2014). The relationship between working capital management and profitability: Evidence from Pakistan. *International Letters of Social and Humanistic Sciences, 12*(1), 131-145.

Nwosa, P. I., Saibu, M. O., & Fakunle, O. O. (2012). The effect of trade liberalization on trade tax revenue in Nigeria. *African Economic and Business Review, 10*(2), 28-43.

Raed, A. M. I. & Ahmad, N. H. A. (2016). GDP and tax revenue causality relationship in developing countries: Evidence from Palestine. *International Journal of Economics and Finance, 8*(4), 54-62.

Rivera-Batiz, L. A., & Romer, P. M. (1991). International trade with endogenous technological change. *European Economic Review, 35*(4), 971-1001.

Romer, P. M. (1990). Human capital and growth: Theory and evidence. *Carnegie-Rochester Conference Series on Public Policy, Elsevier*, *32*(1), 251-286.

Samia, M. M. A., & Sohail, A. (2016). The impact of trade liberalization on tax revenue: A case study on Libya economy from 1982-2012. *Australian Journal of Basic and Applied Sciences, 10*(4), 132-136.

Selahattin, P., & Kutay, S. (2015). Trade openness and FDI*. International Trade Journal, 16*(4), 367-392.

Sumera, M., Khuda, B., & Sarfraz, H. (2012). Estimating impact of trade liberalization on tax revenue in Pakistan. *Journal of Agriculture & Social Sciences, 8*(3), 148–150.

Tahir, M., & Azid, T. (2015). The relationship between international trade openness and economic growth in the developing economies: Some new dimensions. *Journal of Chinese Economic and Foreign Trade Studies, 8*(2), 123-139.

Tanzi, V. (1989). The impact of macroeconomic policies on the level of taxation and the fiscal balance in developing countries. *IMF Staff Papers, 36*, 633-656.

World Bank. (2014). *Global economic prospects*. Washington D.C. Retrieved from http://www.worldbank.org/content/dam/Worldbank.

World Trade Organization (2013). *Trends in international trade II – Factors shaping the future of world trade.* World Trade Report, Geneva, Switzerland. https://www.wto.org/english/res_e/booksp_e/wtr13-2b_e.pdf

Young, A. (1991). Learning by doing and the dynamic effects of international trade. *The Quarterly Journal of Economics, 106*, 369–406.