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The Effect of Tax Structure Diversification on Government Revenues: A Case Study of Non-Oil Countries

Abdullah Aswad Mohammed *
PhD candidate at Institute of Higher Commercial Studies in Sousse، University of Sousse, Tunisia.
ORCID: https://orcid.org/0009-0003-6535-9479
Email: Abdullhasw34@gmail.com

Saida Danmark
Maître de conférences en Comptabilité à IHEC-Carthage, Laboratoire de recherches IHEC Carthage, Université de Carthage, Tunis. Tunisia.
ORCID: https://orcid.org/0000-0001-7309-8502
Email: tulisa0929@gmail.com

*Corresponding Author Email: Abdullhasw34@gmail.com

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Abstract
This study seeks to examine tax structures by analysing their types and components across a sample of non-oil economies, assessing their impact on government revenue levels. It investigates the relationship between tax structures and sustainable public revenue growth, incorporating a governance analysis of corruption control and political stability within this context. The research evaluates tax structures comprising income taxes, international trade tariffs, and consumption-based levies using a robust panel ARDL-PMG approach to determine their direct and indirect effects on public revenue generation. While income taxes and trade tariffs serve as primary drivers of long-term public funding, ineffective corruption management systems weaken these tax policies by generating adverse bundle effects. Additionally, the study explores the varying impacts of tax structure diversification on government revenue. The analysis is based on data from the World Bank, covering the period from 2000 to 2020, and includes Argentina, Costa Rica, the Dominican Republic, and El Salvador. The findings indicate that tax structures significantly influence public revenue generation in non-oil economies. Taxation efficiency is highly dependent on corruption control; as well-developed anti-corruption frameworks substantially enhance revenue collection. Long-term analysis reveals that political stability does not exert a significant direct effect on

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revenue generation, suggesting that non-oil economies rely more on governance quality than on political conditions.

Keywords: Economic Diversification, Tax Structure, Tax Revenues, Non-Oil Countries

Introduction

Numerous countries are actively pursuing economic diversification strategies, implementing a range of policies to achieve this objective (Asheim, 2015; Chang, 2020). These policies aim to restructure economies and enhance the contribution of alternative sectors to gross domestic product (GDP) (Lall, 2004; Lin et al., 2011). In particular, efforts focus on improving the efficiency and effectiveness of these sectors, notably manufacturing, while optimising the management of financial surpluses and other diversification resources (Chakrabarti et al., 2007; Nabi et al., 2025). Realising the need for the diversification of the production base, most nations have collectively made efforts with the assistance of planners and economists towards the achievement of this goal (Aharoni, 2024). The strategy has gained extensive acceptance and led to economic advancement resulting in a reasonable degree of diversification, making the economy continuous and sustainable. With the crucial role played by the diversified production base, most nations have employed every necessary means towards the achievement of this and ensuring economic stability for the longer term. Economic uncertainty necessitates the need for the introduction of policy and strategies towards the expansion of the economic base through the implementation of programmes of restructuring, increasing the contribution made by alternative sectors towards GDP, improving the sectors' efficiency, and the betterment of the management of financial resources.

Economic stability and development are largely dependent on taxation, as governments rely on this system as their primary source of funding for public expenditure. Non-oil economies require well-structured tax systems to ensure immediate budgetary cash flow and maintain long-term financial stability. Governments generate revenue through income, trade, and consumption taxes; however, the effectiveness of these taxes varies significantly based on economic conditions, institutional capacities, and governance quality (Keen, 2012). A thorough understanding of taxation systems enables governments to formulate financial policies that maximise revenue while minimising unintended economic consequences. One of the most critical issues with tax policy implementation is political instability and corruption, the largest obstacles to debt control and revenue expansion. Corruption within tax administration mechanisms leads to tax evasion, diversion of public resources, and inefficiency in taxation mechanisms (Fuest & Riedel, 2012). Political instability also discourages investment and derails economic growth while reducing taxpayer compliance, ultimately undermining the government's revenue potential (Peterson, 2015). Analysis of the relationship between political stability, control of corruption, and taxation policy assists the government in identifying structural constraints against the collection of revenue optimally.

This research explores the influence of various taxation regimes—e.g., income tax, trade

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tax, and goods tax—on the sustainability of public revenue for non-oil economies. It also explores the influence of political stability and control against corruption on tax regimes and regulation of the public debt. The study aims to design policy recommendations for enhancing tax revenue through the removal of governance inefficiencies, political stability, and economic growth. Through the focus given to these critical areas, policy-makers are able to design policy strategies based on evidence for enhancing the financial sustainability of non-oil economies (Besley & Persson, 2011).

Research Problem

During the 1990s and subsequent decades, economic and financial literature engaged in extensive debate regarding diversification and its implications for revenue development. This discourse primarily addressed macroeconomic diversification, focusing on reducing reliance on a single income source. The concept of diversification has remained contentious, particularly concerning the establishment of an appropriate benchmark indicator. The core issue of this study revolves around the key challenges confronting tax systems amid economic reforms in non-oil-producing countries and their capacity to generate optimal financial returns. Additionally, it evaluates the effectiveness of tax systems in response to emerging economic and social developments. A notable concern is the contraction of the production base, which traditionally contributes essential tax revenues to public budgets. This challenge is further compounded by state intervention aimed at mitigating the adverse effects of successive economic crises on national economies. The study conducts an in-depth analysis of the tax structures of selected countries included in the research sample. Accordingly, the research problem is formulated as follows: Do the variables—total taxes on goods and services as a percentage of public revenue (X_1), total taxes on income, profits, and capital as a proportion of public revenue (X_2), total taxes on global trade as a percentage of public revenue (X_3), and total public debt as a share of GDP (X_4)—affect total public revenue as a proportion of GDP (Y), considering the mediating roles of the control of corruption index (X_5) and the political stability index (X_6) in non-oil-producing countries?

Significance of the Study

The significance of this study lies in its examination of a topic that has garnered considerable attention from economists, financial experts, and policymakers: identifying strategies to diversify funding sources for the public budget. This involves broadening the range of taxes within the state's tax structure, a critical measure for advancing public finance knowledge and addressing the fiscal challenges faced by both oil-producing and non-oil-producing nations, including those within the study sample and others that may benefit from its findings. This study provides a comprehensive review of the role of tax regimes in the growth of public revenue in non-oil economies. It also reviews the mediating roles of control of corruption and political stability. Based on the experiences of Nigeria, Azerbaijan, Saudi Arabia, and the GCC states, the study aims to design the most appropriate policy design for raising tax collection revenue and minimizing governance inefficiencies. For non-oil economies to enjoy economic

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progress sustainably, a robust tax regime must be supported by robust governance institutions. A well-designed tax policy is essential because it aligns fiscal sustainability requirements with political values for integrity. This ensures economic stability through the elimination of risks associated with political instability and corruption.

Research Objectives

This study aims to:

1. Evaluate the impact of various tax frameworks, including income taxes, trade taxes, and goods and services taxes, on public revenue in non-oil economies, assessing their effects on both short-term and long-term fiscal sustainability.
2. Investigate the influence of corruption control and political stability on taxation and public debt policies, identifying structural barriers that constrain optimal revenue collection.
3. Develop a policy framework to enhance tax revenue collection through effective measures that mitigate corruption and political instability, thereby fostering sustainable economic stability in non-oil economies.

Spatial and Temporal Scope

- Spatial Scope: This study focuses on a selection of non-oil-producing countries, namely Argentina, Costa Rica, the Dominican Republic, and El Salvador. These nations operate within dynamic political, economic, and social environments, making them suitable for examining the research hypotheses. Their inclusion allows for a comprehensive analysis of tax structures, governance factors, and revenue generation in non-oil economies.
- Temporal Scope: The study covers the span 2000 to 2020.

Research Hypotheses

To achieve the research objectives and develop more effective solutions and conclusions using econometric models, the following hypotheses were formulated:

1. Taxes on income, profits, capital gains, goods and services, and international trade have a significant positive impact on public revenue generation in non-oil economies.
2. Stronger corruption control and political stability enhances the effectiveness of tax structures in increasing public revenue.

Theoretical Review

The study on the impact of taxes on non-oil revenues in Saudi Arabia (KSA) aimed to quantify the influence of the existing tax structure on non-oil income. Employing a descriptive-analytical approach, data from Q1 2016 to Q1 2022 were analysed. The econometric findings indicate a statistically significant correlation between non-oil income and various tax types, suggesting that each tax category examined substantially

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affects non-oil revenue variations. The study reveals that 89.7% of the fluctuations in total non-oil income can be attributed to the economic variables under investigation. Specifically, non-oil revenues are projected to rise by 0.373% if taxes on income, earnings, and capital gains, trade and transactions, and goods and services increase by an average of 0.369%, 0.413%, and 1%, respectively (Al-Muhaimid, 2023).

A tax structure combining selective consumption, personal income, and property taxes yields the highest economic growth benefits in the EU (Stoilova, 2017). Nigeria's economy benefits from non-oil tax sources, including VAT, customs duties, and CIT (Adegbie et al., 2020). Efficient tax systems require tailored adjustments to meet non-oil economies' needs, with success dependent on high governance standards. Strong governance, marked by corruption control and political stability, enhances taxation outcomes and debt management. Robust fiscal capacity ensures corruption reduction and state stability, whereas weak fiscal frameworks exacerbate governance issues in crises (Li et al., 2022). In Azerbaijan, public expenditures boost non-oil GDP long-term, yet poor revenue management hinders growth. Governance quality is crucial for fiscal policy efficiency. In Saudi Arabia, non-oil tax sources—income, goods and services, and international trade taxes—directly impact nominal GDP (Aliyev et al., 2016; Olaopa & Alsuhaibany, 2023; Shili & Panjwani, 2020). Strong institutional systems are essential for effective revenue collection. Studies in GCC nations confirm that regular taxation fosters significant non-oil economic growth under effective fiscal policies (Nwaru, 2015). Developing sound national policies requires a thorough assessment of the intricate link between taxation and governance. Effective tax systems not only enhance revenue generation but also strengthen economic resilience by mitigating corruption-driven vulnerabilities and political instability. Research indicates that Nigeria can achieve economic sustainability by improving non-oil tax compliance, thereby reducing reliance on oil revenues (Assma, 2023).

Tax Structure

The tax structure comprises the set of taxes enforced at a given time within a specific country. While developing nations exhibit similarities in tax variety, their structures differ in composition and the relative significance of each element, influenced by economic, social, administrative, and technical factors. Direct taxes apply to individuals' income derived from assets, wages, profits, and interest rates, targeting wealth under the taxpayer's control, whether in the form of income or capital (Strobel, 2000). Income tax, levied on taxable income—including household earnings and enterprise profits after exemptions such as business expenses and interest payments—is progressive, requiring higher-income individuals to pay a greater percentage than those with lower incomes. Typically assessed annually, this system categorises revenue by source without interrelation among different types. Each category follows a distinct framework, imposing taxes based on income origins, whether from labour, capital, or their interaction. For instance, commercial and industrial profits tax apply to business earnings,

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while earned income tax covers wages, salaries, and professional fees (Delgado et al., 2014).

The general income tax applies a single levy on total income, irrespective of its source or amount, encompassing earnings from trade, labour, and other activities within a unified tax base. This system, regarded as the most advanced form of taxation, accurately reflects an individual's ability to pay and is often termed a complementary or total income tax. It simplifies tax collection for both taxpayers and the state while considering essential living standards and family obligations in taxable income (Lorenz et al., 2021). Capital taxes, imposed on an individual's total assets at a specific point in time, encompass tangible property, financial holdings, and intangible rights. These taxes take various forms, the most notable being levies on an individual's total wealth or a portion thereof, typically at low rates due to the extensive tax base, enabling significant revenue generation. A distinct form of capital taxation applies higher rates during exceptional circumstances, such as urgent debt repayment, major infrastructural projects, war financing, or wealth redistribution. Although similar to standard capital taxes, its elevated rate is justified by the necessity of addressing extraordinary state financial demands.

Inheritance tax applies to an individual's estate upon their death, affecting the transfer of property to heirs. It may be imposed on the entire estate, each heir's share, or the inheritance collectively. Indirect taxes are levied on goods and services expenditure, with taxpayers bearing the burden without directly perceiving its magnitude. These taxes, based on production, consumption, or wealth exchange, assume that such activities indicate wealth and are proportionate to it (Strobel, 2000). Customs duties, a major revenue source in developing countries, apply to imported, exported, or transiting goods. They are categorised into ad valorem, specific, and nominal duties (Zelenak, 2012). Excise taxes on specific goods are advantageous as they integrate into prices, reducing taxpayer awareness of their burden. However, they are criticised for disproportionately impacting lower-income groups (Elbahnasawy, 2020). Taxes on financial transactions generate revenue for the public treasury through levies on capital transfers or contract executions, applying when ownership changes hands or financial agreements are concluded (Javaid et al., 2022).

Economic Diversification

Economic diversification has become crucial, particularly for oil-dependent nations, as reliance on a single income source increases vulnerability to external shocks, such as fluctuating commodity prices. To counter this, countries are implementing strategies to expand investment opportunities and enhance economic integration. Many economies remain one-sided, heavily reliant on a dominant sector, leading to structural imbalances. Historically, resource-rich nations focused on raw material production, neglecting modern economic structures. To address these distortions, countries are developing agriculture, tourism, transport, services, and fishing, alongside manufacturing industries like petrochemicals and mining, ensuring GDP contributions from multiple sectors. Economic diversification involves expanding activities in goods

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and services distribution and production to enhance stability. Sustainable development perspectives highlight diversification's role in adapting to resource depletion, economic fluctuations, and global competition. It meets fundamental development needs by creating jobs and improving access to essential services (Anyaehie & Areji, 2015).

Horizontal diversification activates foreign exchange-generating sectors with high relative advantages, such as agriculture, manufacturing, and tourism. Vertical diversification focuses on generating local currency through taxation, privatisation, and reducing state involvement, allowing private-sector growth. A stable economic strategy must balance public sector control with market-driven resource allocation to enhance production capacity and employment opportunities. Developing economies often rely on a single resource, necessitating structural modifications to expand industrial, agricultural, and service sectors. Diversification strengthens financial stability, promotes sustainable development, and improves workforce efficiency. It enables underutilised sectors to contribute to GDP, attracting foreign investment through regulatory frameworks that foster a business-friendly environment.

Oil-dependent economies face significant challenges due to global oil price volatility, influenced by supply-demand mechanisms and external political or natural factors. A striking example occurred in September 2014, when oil prices plummeted by 55%, severely impacting oil-exporting nations. Economic diversification is necessitated by the potential for stimulating overall development, enhancing investment, and insulating economies from external shocks related to price instability. Depletion of natural resources and volatile public revenues necessitate economic alternatives. Diversification reduces dependence on a single commodity by expanding export frameworks, enhancing global competitiveness, and enhancing the value of the domestic currency. The transition facilitates foreign and domestic investment, resulting in the creation of jobs and reducing dependence on foreign labour through domestic production. Economic diversification enhances GDP growth, increases per capita income, and minimizes vulnerability to internal and external shocks. Through the expansion of sources of finances, it leads to long-term stability, economies of scale, and the strengthening of linkages between sectors. Increased capital investment in human resources enhances the quality of the labour force, resulting in the efficient utilisation of production and reducing dependence on foreign labour.

Theoretical Gap

Research on taxation and public revenue largely focuses on either tax policy effectiveness or corruption's impact on fiscal management, often treating them separately. Limited attention has been given to the interplay between tax structures, corruption control, and political stability in sustaining non-oil economies. While structural barriers to revenue collection exist, they remain underexplored. This analysis addresses these gaps by examining the impact of tax frameworks on public income and integrating governance factors into a model aimed at strengthening fiscal capacity in non-oil economies.

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Methodology

This study employs quantitative statistical methods to analyse the impact of tax structure diversity on government revenue in non-oil economies. A panel data econometric framework will evaluate both immediate and long-term financial stability effects of income taxes, trade taxes, and goods and services levies. Policy reviews and governance indicators will validate the findings, examining corruption control and political stability. The research aims to develop a strategic framework for maximising tax revenue.

Model Description and Definition of Variables

At this stage, the variables included in the model will be defined for estimation. The mathematical representation of the model is outlined in Table 1.

Table 1: Definition of Independent and Dependent Variables

Sources	Variable	Symbol	
(Saleh & Nayef, 2021)	Total public revenues as a rate of GDP.	y	Dependent
(Al-Muhaimid, 2023; Nguyen et al., 2021)	Taxes on income, profits, and capital gains as a rate of total public revenues.	X_1	Independent Variables
(Al-Muhaimid, 2023; Al-Rubaye & Kadhum, 2021)	Taxes on international trade as a percentage of total public revenues.	X_2	
(Al-Muhaimid, 2023; Nguyen et al., 2021)	Taxes on goods and services as a percentage of total public revenues.	X_3	
(Aizenman et al., 2007; Nguyen et al., 2021)	Total public debt (total domestic and external debt) as a rate of GDP.	X_4	
(Guillamón et al., 2021; Imam & Jacobs, 2014; Liu & Mikesell, 2019; Mohammed et al., 2018)	Control of corruption index: between (+2.5) and (-2.5).	X_5	Medial Variables
(Abu Bakar, 2023; Elbahnasawy, 2020; Mohammed et al., 2018)	Political stability index: between (+2.5) and (-2.5).	X_6	

$$Y = F(X_1, X_2, X_3, X_4, X_5, X_6) \quad \ldots\ldots\ldots\ldots\ldots\ldots \quad (1)$$

To clearly define the data sources for the study variables and establish the temporal and spatial boundaries, the study will adopt the following two-step methodology. Based on this approach and the previous mathematical formulas (1), the model will be estimated using the following econometric specification:

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Econometric Equation

$$Y_t = \alpha_0 + \beta_1 Y_{t-1} + \beta_2 X1_{t-1} + \beta_3 X2_{t-1} + \beta_4 X3_{t-1} + +\beta_5 X4_{t-1} + \beta_6 X5_{t-1} + \beta_7 X6_{t-1} + \sum_{i=1}^{p} \gamma_1 \Delta X1_{t-i} + \sum_{i=1}^{p} \gamma_2 \Delta X2_{t-i} + \sum_{i=1}^{p} \gamma_3 \Delta X3_{t-i} \sum_{i=1}^{p} \gamma_4 \Delta X4_{t-i} + \sum_{i=1}^{p} \gamma_5 \Delta X5_{t-i} + \sum_{i=1}^{p} \gamma_6 \Delta X6_{t-i} + \sum_{i=1}^{p} \gamma_7 \Delta Y_{t-i} + \emptyset ECM_{t-i} + \varepsilon_t \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \quad (2)$$

Where,

Δ: Represents the differences for the dependent variable and each independent variable individually.

t: Represents time.

α_0: Represents the intercept or constant.

p: Represents the number of time lags.

β_1, β_2, β_3, β_4, β_5, β_6: Represent the parameters of the short-term relationship, i.e., the parameters responsible for the short-term relationship among the independent variables and the dependent variable. γ_1, γ_2, γ_3, γ_4, γ_5, γ_6: stand for the parameters of the long-run association, through which the long-term relationship equation among the dependent variable and the independent variables (i.e., the cointegration equation) can be derived. The Error Correction Model (ECM) coefficient must be negative, statistically significant, and less than one to correct deviations and restore long-term equilibrium. The term ε_t represents the random error component, capturing unobserved factors influencing the dependent variable, such as wars, economic shifts, and social conditions.

The cross-sectional dependence test for panel data assesses interdependencies among cross-sectional units. It follows the methodology outlined by Zuo et al. (2022) to determine whether residuals are correlated across entities, ensuring robustness in econometric estimations.

$$\boldsymbol{CD} = \sqrt{\frac{2T}{N(N-1)}} \left(\sum_{i=1}^{N-1} \sum_{j=i+1}^{N} \hat{\boldsymbol{\rho}}_{ij} \right) \ldots\ldots\ldots\ldots\ldots\ldots\ldots \quad (3)$$

Where: T represents time. N: Represents the size of the panel data. ij: Represents the correlation coefficient.

Table 2 presents the results of the cross-sectional dependence test using the Pesaran CD test, which yields a value of 0.490 with a significance level exceeding 5%. This confirms the null hypothesis, indicating no correlation among cross-sections for all independent variables. Consequently, the study adopts first-generation unit root

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tests, particularly the Levin-Lin and Chu test, as it remains a fundamental approach in recent research. Table 3 shows that the dependent variable (total tax revenue as a percentage of GDP) and several independent variables—taxes on goods and services as a percentage of government revenue, total public debt, the corruption control index, and the political stability index—have unit roots, confirming their non-stationarity.

Table 2: Cross-Sectional Dependence Test for the Model in the Group of Non-Oil Countries

Cross-Section Dependence Test		
Cross-Sections Included: 4		
Total Panel Observations: 80		
Test	**Statistic**	**Prob.**
Pesaran CD	**0.**490067	**(**0.6241**)n.s**
(*): *Significance Level 1%, (**):* **Significance Level 5%, (***): Significance Level 10%, (n.s): Not Significant.		

Table 3: Unit Root Test for Panel Data in the Model for the Group of Non-Oil States

Levin, Lin and Chu Test				
Variables	**At Level**		**At First Difference**	
	Intercept	**Trend and Intercept**	**Intercept**	**Trend and Intercept**
Y	-2.59522	-1.23781	-7.61894	-7.43817
prob.	(0.0047)*	(0.1079) n.s	(0.0000)*	(0.0000)*
X1	-7.70965	-2.08255	-------	-------
prob.	(0.0000) *	(0.0186) **	-------	-------
X2	-1.90554	-2.17190	-------	-------
prob.	(0.0284)**	(0.0149) **	-------	-------
X3	-1.10293	0.73182	-5.40095	-4.56070
prob.	(0.1350) n.s	(0.7679) n.s	(0.0000)*	(0.0000)*
X4	0.91227	2.85516	-1.79272	-3.94829
X5	-0.65165	-1.28727	-8.09714	-5.74935
prob.	(0.2573) n.s	(0.9090) n.s	(0.0000)*	(0.0000)*
X6	-3.11656	-0.19966	-5.16155	-5.66960
prob.	(0.0009)*	(0.4209)n.s	(0.0000)*	(0.0000)*
(----): Stands for the variables are stationary at the level (At Level). (*): *Sig Level 1%,* (**): Sig Level 5%, (***): Significance Level 10%, (n.s): Not Significant.				

This supports the null hypothesis that these variables possess a unit root, necessitating their first differencing to achieve stationarity. Conversely, the first and second independent variables—taxes on income, profits, and capital gains as

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a percentage of total government revenue, and taxes on global trade as a percentage of total government revenue—are found to be stationary at the level, indicating no unit root. Additionally, stationarity is observed at the level for the fourth and sixth independent variables, while the remaining independent and dependent variables achieve stationarity after first differencing.

Determining the Optimal Lag Period through the VAR Model

Table 4 presents the optimal lag selection for the model variables using the Vector Autoregression (VAR) model, based on the Schwarz Criterion (SC). The results indicate that the optimal lag length, which effectively eliminates autocorrelation in the residuals, is (1).

Table 4: Optimal Lag Period Determined for the Model in the Group of Non-Oil States

VAR Lag Order Selection Criteria						
Lag	**Log L**	**LR**	**FPE**	**AIC**	**SC**	**HQ**
0	-868.2462	NA	11045.26	29.17487	29.41922	29.27045
1	-488.3902	658.4171	0.181297	18.14634	20.10106*	18.91094*
2	-457.7379	45.97848	0.356497	18.75793	22.42303	20.19155
3	-425.5364	40.78855	0.743297	19.31788	24.69337	21.42053
4	-352.9552	75.00062	0.488009	18.53184	25.61771	21.30351
5	-284.1481	55.04568	0.501839	17.87160	26.66785	21.31230
6	-144.3324	79.22888*	0.086861*	14.84441*	25.35104	18.95413
(*): Represents the optimal lag order determined for the model.						

Table 5 presents the cointegration analysis between the dependent variable (total tax revenue as a percentage of GDP) and the independent variables, including income taxes, profits and capital gains taxes, taxes on global trade, taxes on goods and services, total public debt, the corruption control index, and the political stability index. The results indicate that four out of 7 tests confirm the presence of cointegration among the study variables at a significance level below 5%. This establishes a long-term relationship among the variables.

Table 5: Statistics of the Panel Cointegration Test for the Model in the Group of Non-Oil Countries

Padroni Residual Cointegration Test			
Series: Y X_1 X_3 X_4 X_5 X_6			
Sample:2000 – 2020			
Included Observations: 84			
Cross-Sections Included: 4			
Alternate Hypothesis: Common ARcoefs (Within-Dimension)			
Statistic	**Prob.**	**Weighted Statistic**	**Prob.**

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Panel v-Statistic	-2.190538	(0.9858) n.s	-2.643137	(0.9959) n.s
Panel rho-Statistic	0.603517	(0.7269) n.s	0.523217	(0.6996) n.s
Panel PP-Statistic	-2.091162	(0.0183)**	-2.174073	(0.0148)*
Panel ADF-Statistic	-1.823758	(0.0341)**	-2.153032	(0.0157)*
Substitutive Hypothesis: Individual AR coefs. (Between-Dimension)				
	Statistic	Prob.		
Group rho-Statistic	1.534973	(0.9376) n.s		
Group PP-Statistic	-5.143690	(0.0000)*		

Table 6 presents the long-run relationships, interim effects, and error correction term of the model, leading to the following conclusions:

Table 6: Long-Run and Interim Statistics and Error Correction Term for the Model in the Group of Non-Oil States

Method: Panel ARDL-PMG				
Dep.Variable: D (Y)				
Model Selection Method: Schwarz Criterion (SIC)				
Dynamic Regresses (1 lag, Automatic): (X_1) (X_2) (X_3) (X_4) (X_5) (X_6)				
Selected Model: ARDL (1, 1, 1, 1, 1, 1, 1)				
Long Run Equation				
Variables	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
X_1	-0.097587	0.129335	-0.754524	(0.4529)n.s
X_2	0.652096	0.348025	1.873706	(0.0663)***
X_3	0.317758	0.149519	2.125209	(0.0383)**
X_4	0.188952	0.105107	1.797705	(0.0782)***
X_5	8.236399	2.912533	2.827916	(0.0067)*
X_6	6.696528	4.913699	1.362828	(0.1779)n.s
Short Run Equation				
COINTEQ01	-0.509871	0.179500	-2.840506	(0.0057)*
D(X_1)	-0.052410	0.055820	-0.938915	0.0623
D(X_2)	-0.069926	0.071576	-0.976948	0.4007
D(X_3)	-0.342139	0.206295	-1.658496	0.2470
D(X_4)	-0.043547	0.024731	-1.760818	0.0810
D(X_5)	0.549682	2.481090	0.221549	0.2365
D(X_6)	-0.412099	0.551317	-0.747482	0.2619

First: Long-run Relationship Results

1. No significant relationship exists between income taxes, profits, and capital gains taxes as a proportion of total public revenues and total tax revenue as

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a percentage of GDP. This aligns with Nguyen et al. (2021) but contradicts Al-Muhaimid (2023).

2. Trade taxes significantly impact total public revenue, with a 1% rise increasing revenue by 0.652% ($p < 10\%$), contradicting Al-Muhaimid (2023) and Al-Rubaye and Kadhum (2021).
3. Taxes on goods and services significantly boost public revenue, with a 1% rise increasing revenue by 0.318% ($p < 5\%$), supporting Al-Muhaimid (2023).
4. Total public debt as a percentage of GDP significantly correlates with total tax revenue at a significance level below 10%, where a 1% rise in public debt results in a 0.189% increase in total public revenues. This finding is consistent with Aizenman et al. (2007) and Iiyambo and Kaulihowa (2020).
5. The corruption control index significantly affects total public revenues as a proportion of GDP at a significance level below 1%. A one-unit improvement in this index leads to an 8.236% increase in total public revenues, aligning with Imam and Jacobs (2014), Guillamón et al. (2021) and Liu and Mikesell (2019).
6. The political stability index does not exhibit a significant relationship with total public revenues as a proportion of GDP, contradicting Abu Bakar (2023) and Elbahnasawy (2020).

Analysis of the Mediating Role for Non-Oil Countries

Table 6 presents the analysis of six variables affecting public revenues (Y) in non-oil countries. The findings are summarised as follows:

Long-Term Results:

- X_1 (Taxes on Goods and Services): The effect is not significant ($p = 0.4529$), indicating no long-term impact on public revenues, suggesting limited sustainability in revenue generation from these taxes.
- X_2 (Taxes on Income and Profits): A positive and significant effect at the 10% level ($p = 0.0663$) suggests a potential role in increasing public revenues, albeit with a moderate impact.
- X_3 (Taxes on International Trade): A positive and significant effect at the 5% level ($p = 0.0383$) highlights the critical role of trade taxes in long-term revenue generation for non-oil countries.
- X_4 (Public Debt): A positive and significant effect at the 10% level ($p = 0.0782$) indicates a potential association between increased public debt and higher revenues, though caution is needed due to its moderate significance.
- X_5 (Corruption Control): A strong positive effect at the 1% level ($p = 0.0067$) confirms that improving corruption control significantly enhances public revenues, emphasising its role in financial stability.

Short-Term Results:

- COINTEQ01 (Error Correction Term): Significant at the 1% level ($p = 0.0057$),

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indicating that deviations from equilibrium in public revenues are gradually corrected over time.

- $D(X_1)$ (Taxes on Goods and Services): Not significant ($p = 0.0623$) but close to the 10% threshold, implying a possible minor short-term effect.
- $D(X_2)$ (Taxes on Income and Profits): Not significant ($p = 0.4007$), indicating no short-term impact on public revenues.
- $D(X_3)$ (Taxes on International Trade): Not significant ($p = 0.2470$), showing no immediate effect on public revenues.
- $D(X_4)$ (Public Debt): Not significant ($p = 0.0810$) but close to the 10% level, suggesting a potential short-term impact.
- $D(X_5)$ & $D(X_6)$ (Corruption Control & Political Stability): Both are not significant ($p = 0.2365$ and $p = 0.2619$), indicating no immediate influence on public revenues.

1. Analysis of the Impact of Variables (X_1-X_4) on Variable X_5

The statistical modelling results using the Panel ARDL-PMG model for the effect of variables X_1 to X_4 on the mediating variable (X_5) are presented in Table 7.

Table 7: Long-Term and Short-Term Results for the Effect of Independent Variables on the Corruption Control Index in Non-Oil Countries

Method: PanelARDL-PMG				
Dep.Variable: D(X_5)				
Model Selection Method: Schwarz Criterion (SIC)				
Dynamic Regresses(1 lag,automatic): (X_1) (X_2) (X_3) (X_4)				
Selected Model: ARDL (1, 1, 1, 1, 1, 1, 1)				
Long Run Equation				
Variables	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
X_1	0.002629	0.005242	0.501457	(0.6179) n.s
X_2	-0.028739	0.009746	-2.948926	(0.0045)*
X_3	-0.017590	0.005129	-3.429413	(0.0011) *
X_4	0.002958	0.001060	2.790284	(0.0070)*
Short Run Equation				
COINTEQ01	-0.139203	0.137976	-1.008887	(0.3171) n.s
D(X_1)	0.002903	0.007905	0.367242	0.7147
D(X_2)	-0.003843	0.007090	-0.542017	0.5898
D(X_3)	-0.017329	0.045130	-0.383967	0.7024
D(X_4)	-0.003079	0.000732	-4.202946	0.0001

Source: The table was created by the author using EViews 12.

The long-term analysis of Table 7 reveals the following:

- X_1 (Taxes on Goods and Services): The effect is not significant (p-value = 0.6179),

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indicating no substantial impact on corruption control in the long term.

- X_2 (Taxes on Income and Profits): The effect is negative and significant at the 1% level (-0.028739), suggesting that higher income and profit taxes may reduce corruption control, possibly due to difficulties in managing tax revenues.
- X_3 (Taxes on International Trade): The effect is negative and significant at the 1% level (-0.017590), implying that international trade taxes may weaken corruption control, potentially due to increased trade pressures and regulatory complexities.
- X_4 (Public Debt): The effect is positive and significant at the 1% level (0.002958), suggesting that higher public debt is linked to improved corruption control, possibly due to enhanced financial oversight.

In the short-term analysis:

- COINTEQ01 (Error Correction Term): The insignificance (p-value = 0.3171) indicates a slow adjustment towards equilibrium, suggesting challenges in responding to economic shifts.
- D(X_1) to D(X_3) (Changes in Taxes on Goods and Services, Income and Profits, and International Trade): These effects are not significant, implying that short-term tax changes do not immediately influence corruption control.
- D(X_4) (Changes in Public Debt): The effect is negative and significant at the 1% level (-0.003079), indicating that short-term increases in public debt may initially weaken corruption control, reflecting difficulties in immediate debt management.

2. Analysis of the Impact of Variables (X_1-X_4) on Variable X_6

The model results for the effect of variables X_1 to X_4 on the mediating variable (X_6) are presented in Table 8.

Based on the statistics in Table 8, the long-term analysis can be interpreted as follows:

- X_1: The effect is not significant (p-value = 0.2774), indicating that taxes on goods and services do not significantly affect political stability in the long term.
- X_2: The effect is not significant (p-value = 0.4723), meaning that taxes on income and profits do not have a significant impact on political stability in the long term.
- X_3: The effect is not significant (p-value = 0.2759), suggesting that taxes on international trade do not significantly enhance political stability in the long term.
- X_4: The effect is negative and significant at the 5% level (-0.003524), implying that increasing public debt may reduce political stability. This indicates that a higher reliance on public debt could have adverse long-term implications for political stability.

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Table 8: Long-term and Short-term Results for the Effect of Independent Variables on the Political Stability Index in Non-Oil States

Method: Panel ARDL-PMG				
Dep.Variable: D (X_6)				
Method of Model Selection: Schwarz Criterion (SIC)				
Dynamic Regresses(1lag,automatic): (X_1) (X_2) (X_3) (X_4)				
Selected Model: ARDL (1, 1, 1, 1, 1, 1, 1)				
Long Run Equation				
Variables	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
X_1	0.005905	0.005387	1.096246	(0.2774) n.s
X_2	-0.007115	0.009837	-0.723262	(0.4723) n.s
X_3	0.007662	0.006968	1.099684	(0.2759) n.s
X_4	-0.003524	0.001617	-2.179267	(0.0332) **
Short Run Equation				
COINTEQ01	-0.369677	0.136679	-2.704707	(0.0089) *
D(X_1)	0.009504	0.012723	0.746954	0.4580
D(X_2)	-0.019777	0.023439	-0.843764	0.4022
D(X_3)	-0.062332	0.041574	-1.499304	0.1390
D(X_4)	0.001361	0.004817	0.282537	0.7785

For the short-term analysis, the findings are as follows:

- COINTEQ01 (Error Correction Term): This term is negative and significant at the 1% level (-0.369677), suggesting that the system quickly returns to equilibrium after short-term deviations. This reflects the system's ability to correct fluctuations efficiently and restore balance.
- D(X_4): The short-term effects of these variables are generally not significant, indicating that immediate changes in taxes on goods and services, income and profits, international trade, and public debt do not have a direct or immediate impact on political stability. The effects on political stability may take longer to materialise.

The direct effects were obtained from Table 6, while the indirect effects were calculated for variables with a significant impact on the mediating variable (either the Corruption Control Index or the Political Stability Index) by multiplying the regression coefficient of the mediator variable in Table 6 by the regression coefficient of the independent variable on the mediator variable in Table 7. The total effects were then determined by summing the direct and indirect effects.

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Table 9: Results of Direct and Indirect Effects in Non-Oil Countries

Variables	Direct Effect	Indirect Effect		Total Effect
		via X5	via X6	
X_1	-0.097587	n.s	n.s	-0.097587
X_2	0.652096	-0.236706	n.s	0.415390
X_3	0.317758	-0.144878	n.s	0.172880
X_4	0.188952	0.024363	-0.023599	0.189717

Source: The table was modelled by the author using EViews 12.

From the previous tables, we can conclude the following:

A. Direct Effects

- X_1 (Taxes on Goods and Services): The direct impact on total revenue was negative and statistically insignificant (-0.097587), indicating that an increase in taxes on goods and services does not lead to a significant rise in total revenue in non-oil countries.
- X_2 (Taxes on Income and Profits): The direct effect was positive and statistically significant (0.652096), suggesting that taxation on income and earnings plays a crucial role in enhancing overall revenue in non-oil countries.
- X_3 (Taxes on International Trade): The direct impact was positive and statistically significant (0.317758), demonstrating that taxation on international trade substantially contributes to increasing total revenue.
- X_4 (Public Debt): The direct effect was positive and statistically significant (0.188952), implying that higher public debt is associated with an increase in total revenue. However, given the moderate magnitude of the effect, caution is warranted when interpreting this relationship.

B. Indirect Effects

- X_1 through the Corruption Control Index (X_5): The indirect effect via X_5 was statistically insignificant, indicating that taxation on goods and services does not significantly influence total revenue by improving corruption control in non-oil countries.
- X_1 through the Political Stability Index (X_6): The indirect effect via X_6 was also insignificant, suggesting that taxes on goods and services do not affect total revenue through enhancements in political stability.
- X_2 through the Corruption Control Index (X_5): The indirect effect via X_5 was negative and statistically significant (-0.236706), implying that taxation on income and profits leads to a decline in corruption control, thereby weakening its positive impact on total revenue.
- X_2 through the Political Stability Index (X_6): The indirect effect via X_6 was insignificant, indicating that taxation on income and profits does not influence

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total revenue by improving political stability.

- X_3 through the Corruption Control Index (X_5): The indirect effect via X_5 was negative and statistically significant (-0.144878), suggesting that taxation on international trade reduces corruption control, thereby weakening its positive effect on total revenue.
- X_4 through the Corruption Control Index (X_5): The indirect effect via X_5 was positive and statistically significant (0.024363), indicating that public debt may contribute to improving corruption control, thereby enhancing its positive impact on total revenue.
- X_4 through the Political Stability Index (X_6): The indirect effect via X_6 was negative and statistically significant (-0.023599), suggesting that rising public debt can reduce political stability, thereby diminishing its positive impact on total revenue.

C. Total Effects

- X_1: The overall effect was negative (-0.097587), suggesting that taxes on goods and services do not exert a substantial influence on total revenue in non-oil economies, whether directly or indirectly.
- X_2: The total effect was positive (0.415390). While the direct impact was considerable, the adverse indirect effect through corruption control diminished the overall contribution of taxes on income and profits to total revenue.
- X_3: The cumulative effect was positive (0.172880), indicating that despite the negative indirect effect through corruption control, the direct influence of taxes on international trade on total revenue remained substantial.
- X_4: The aggregate effect was positive (0.189717), implying that the beneficial impact of public debt on total revenue outweighs the contradictory indirect effects.

Based on the preceding analysis, the economic interpretation of these findings is as follows:

- Tax Policies: The findings demonstrate that taxes on income, profits, and international trade serve as effective instruments for augmenting public revenue in non-oil nations. However, the adverse indirect effects associated with corruption control must be taken into account when formulating tax policies.
- The Importance of Combating Corruption: The mediating function of corruption control reveals a negative influence in the case of taxes on income, profits, and international trade. This underscores the necessity of reinforcing corruption control mechanisms to enhance the efficacy of such taxation policies.
- Public Debt: The indirect effects underscore the need for prudence when increasing public debt to mitigate potential adverse consequences for political stability, despite its direct positive contribution to public revenue.

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In summary, the mediation analysis highlights the intricate effects of economic variables on public revenue in non-oil economies. The results indicate that both direct and indirect effects, as outlined in Table 9, must be holistically considered when developing fiscal policies. Emphasis should be placed on strengthening corruption control and political stability to maximise the advantages of taxation policies and public debt.

Summary

Taxes play a crucial role in national economies, irrespective of economic and political systems, by funding public budgets and contributing to redistribution and economic stability. A significant positive relationship exists between taxes on global trade as a proportion of public revenue and total public revenue as a percentage of GDP at a significance level below 10%, indicating that a 1% increase in trade taxes leads to a 0.652% rise in total public revenue. Additionally, the corruption control index exhibits a significant positive relationship with total public revenue at a significance level below 1%, meaning a one-unit improvement in this index increases total public revenue by 8.236%. Taxes on goods and services as a percentage of public revenue also show a significant positive correlation with total public revenue as a percentage of GDP at a significance level below 5%, implying that a 1% rise in such taxes results in a 0.318% increase in total public revenue. However, it finds no significant indirect effect of tax structure components on public revenue when considering the political stability index.

Conclusion

This study confirms taxation as a crucial mechanism for economic stability, sustainable budgeting, and equitable resource distribution in non-oil economies. Government revenue generation is directly linked to tax structures that integrate income, trade, and goods and services taxes. Trade taxation has the most substantial impact, with a 1% tax increase yielding a 0.652% rise in total public revenue, highlighting its significance in fiscal planning. The findings emphasise the critical role of governance in revenue generation, with the corruption control index serving as a key determinant—each one-unit improvement in the index increases government revenue by 8.236%. Reduced corruption enhances tax efficiency, compliance, and collection, strengthening fiscal resilience. Taxes on goods and services generate 0.318% growth for each 1% increase, though their impact is felt more when control of corruption is considered. The data identifies governance reform as essential for the optimization of tax gains. The study finds no statistically significant political stability effect on tax collection, suggesting its contribution towards tax collection is lower than assumed. Political stability is nevertheless essential for macroeconomic confidence, but control-of-corruption mechanisms are more effective towards the attainment of a stable stream of public revenue.

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Recommendations

Policymakers must raise tax collections through the establishment of good tariff policy since trade tax remains crucial for the collection of public revenue irrespective of the impact it might have on the competitiveness of the markets. Corruption control must be enhanced for the expansion of revenue through tax transparency reforms and anti-corruption enforcement within the revenue authorities with the support of digital tax administration. While a goods and services tax adds to government collections, the low elasticity calls for the widening of the tax base and exemptions cutting for sound fiscal performance. A tax reform policy through good governance must enhance the efficiency of the bureaucracy, minimize tax evasion, and establish trust with the public for enhanced compliance. Political stability does not have a direct effect on the collection of revenue. Thus, policymakers must ensure the strengthening of the institutions. Autonomous tax authorities facilitate more resilient collection of revenue even during political instability.

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