Non-Oil Export Determinant and Economic Growth Nigeria (1988-2008)

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Abstract

Since the introduction of Non-Oil Export in Nigeria far before independent which has grown to become the fourth largest exporter in the world with high production level. In view of Nigeria's significant contribution and export capacity to the world volume, the study examined the competitiveness by assessing her export performance and determinants of non-soil export from Nigeria. The literature review showed that export promotion has significant effect on economic productivity than import substitution. For the research technique, the multi-linear regressions were employed to examine whether or not there is a linear relationship between the Non-Oil Export and GDP. It has an analytical tools using data set from Central Bank of Nigeria sources that ranged from 1989 to 2008. However the results form this regression model show that the R square is 0.979 which implies that 97.9% variation in the dependent variable can be attributed to the variation in the dependent variable, also adjusted R of 0.975 which implies that 97.4% shows a minimized error from coefficient of determinant R square. This research work as thereby identified the major factors that affect GDP positively to be non-oil export for previous year and consumer price index and as such the government has an important role to play if sustainable development is to be achieved since a insignificant non-oil export and exchange rate would slow down the economic growth. The outcome of the analyses revealed that Nigeria non-oil export as some significant contribution on our economic growth.

Keywords: NON-OILEXPORT,ECONOMICGROWTH,NIGERIA

1. Introduction

Prior to liberalization, the overall objectives of trade policy in Nigeria included a Marketing Board (1960-1977) through which all exportable agricultural products were purchased by the Government at prices far lower than world prices and incentives were given to farmers to increase their acreage and adopt some imported technologies. Commodity Marketing Boards were established in 1977 by the Federal Military Government to take care of specific crops as cocoa, rubber, roots and tubers etc. Food imports were limited, but crop production for exports was intensified during the period of liberalization.

The importance of export to a nations economic growth and development cannot be over-emphasized. Export is a catalyst necessary for the overall development of an economy (Abou-stait, 2005). Furthermore, a well develop export sector will provide employment opportunity for the people with the attendant reduction in social costs of unemployment. Earnings from export will reduce the strains on the balance of payment position and even improve it. A rewarding export drive can turn a hitherto undeveloped economy into a prosperous economy. Export help in increasing the level of aggregate economic activities through its multipliers effects on the level of national income (Usman and Salami, 2008). Income earned through exporting will help in increasing the level of demand within the economy.

The Nigeria economy has been and is currently being characterized by a reasonable degree of openness; hence its performance can be enhance through the development of the external sector. The Nigerian external sector has always been dominated by primary commodities which have the well known basic characteristic of low price and income elasticity of demand, low growth of demand, terms of trade and instability of export earning (Iyoha and Oriakhi, 2002). This mono-culture situation brought untold hardship on the people of the country.

For instance, from 1970 to date, oil exporting has constituted on the average of 90% of the total foreign exchange earnings. The adversity of the fluctuation in oil price has in no small measure stalled the developmental efforts of the various governments. This has made the Nigeria economy to swing form the “oil boom era”, as exemplified by the buoyant economy of the period with massive infrastructural development and the Udoji award followed by the “oil doom” period which arose from oil glut in the world oil market since 1981 only led to the neglect of the non-oil export productive base. This has led to panic measures by successive governments regime and the introduction of Structural Adjustment Progammes (SAP) by the Babangida Administration.

The continued unimpressive performance of the non-oil sector and the vulnerability of the external sector thus dictate the urgent need for a reappraisal of the trust and content of the development policies and commitments on their implementation.

Indeed, the need for a change in the policy focus and a shift in the industrialization strategy is imperative, if Nigerian economy is to be returned to the path of sustainable growth and external visibility.

1.1 Statement of the Problem

Although various factors have been adduced to Nigeria’s poor economic performance, the major problem has been the economy’s continued excessive reliance on the fortunes from the oil market without any meaningful economic diversification (osuntogun et al.,1997), reflecting the effect of the so called “Dutch disease”. Cocoa is one of the products that has been a major export crop in Nigeria dominating the major export of Nigerian economy.

However, the production of this export crop in Nigeria has suffered a reduction in recent years owing to a number of factors (Oluyole and Sanusi, 2009). Villalobos (1989) identified some of these factors as: low yield, inconsistent production pattern, disease incidence, pest attack and use of simple farm tools. In addition, Oduwole (2004) in his study identified aging cocoa farms as one of the factors responsible for te decline in cocoa production in south western Nigeria. Many farms were over 40 years old and such farms constitute as much as 60 percent of the cocoa farms in Nigeria. Farms in South – south and South eastern zones are relatively younger and mostly in their productive phase.

The dilemma facing the non oil export sector is not only that it is being overshadowed by the oil export trade, but the declining non oil exports and loss of market share in the non oil trade globally is a clear evidence of how the non oil sector competitiveness of the Nigerian economy has been consistently eroded over the last three decades.

A robust and strong export trade is indicative of how competitive the commodities and services are, and how large the scale of the industrial base of an economy is, this is reflected by the comparative advantage possessed by the country.

Also, exports of commodities are possible when domestic demand for such are satisfied and surpluses exist in commercial quantities. Thus, the non oil export sector serves as the hub for exporting these surpluses produces by the non oil base of the country's economy.

The need to correct the existing structural distortions and put the economy on the path of sustainable growth is therefore compelling. This raises the question of what else need to be done in order to diversify the economy and develop the non-oil sector to realize the potentials of the sector. This calls for new thoughts and initiatives, which is the essence of this project.

1.2 Objectives of the study

The objectives of this research are to:

i. Investigate the Nigeria's non oil exports sector and the contribution it has made over the years to Nigeria's the Gross Domestic Product (G.D.P.).

ii. Evaluate the Federal Government incentives and schemes, established to promote non oil exports and the agencies responsible for non export trade promotion in the country.

2.0 Literature Review

2.1 Theoretical Framework

The idea of advocating for and the practice of opening up the economy to facilitate trade and co-operation amongst countries in the world is enamored in the arguments postulated by both Messrs Adam Smith and David Ricardo. But the argument of David Ricardo, which is comparative advantage, is intellectually accepted and seen as the driving force of international trade. When countries move out of autarky, and embrace open economy, it is indicative of specialization and exchange. These countries export commodities in which they have a competitive edge over all others i.e. comparative advantage and import commodities that they possess comparative disadvantage in. These countries tap into the international market and realize foreign exchange, aside this, they avail themselves to international specialization. A country can procure the desired goods and services at considerable savings especially capital and intermediate goods that are needed to support efficient productive activities in the export sector (CBN and NEXIM 1999, p12).

Countries also gain from the economies of scale as both the domestic and international markets support large scale operation. In this regard, trade stimulates efficiency as a result of the exposure of local firms to foreign competition and technology and the prospects of a world wide trade market for their products (CBN and NEXIM 1999, p12). Thus, if a country can export to the world market it can enjoy economies of scale, learning effects and competitive gains of x-effeciency forces that intensify motivation and competition that results in lower cost curves for the firms (Olorunshola, 1996).

In the contemporary world, as stated in the CBN and NEXIM study (1999, p13), the increasing share of world trade is primarily technology driven. Rapid advances in technology have reduced the costs of transportation and communication – 2 costs elements that have over the years become strong trade barriers. These technological advances have also increased the range of available products as well as induced large economies of scale. These developments in turn have given rise to specialization that triggers forms to seek foreign markets. It may be said therefore that increased share of world trade is one of the forces behind globalization.

Another driving force is the increase in Foreign Direct Investment (FDI) in which countries of the Organization for Economic Cooperation and Development (OECD) grew at an average annual rate of 31.4% between 1983 and 1989. However, there has been a concentration of this investment within what has been called the 'triad' of the United States, European Union and Japan. Since FDI is one of the main conduits for technology flows, the poor performance of some developing countries in global trade (especially countries in the Sub Saharan Africa region) becomes easy to rationalize.

2.1.1 Export Led Growth

It is imperative and noteworthy to examine whether export growth can enhance growth to help curtail balance of payment deficit and to definitely establish whether if there is any casual relationship between exports and economic growth in countries such as Nigeria. According to Idowu (2005, p32), export-led-growth (ELG) hypothesis stipulates the expansion and promotion of exports as an important factor in nurturing long run economic growth. This hypothesis has been put forward as the rationale for an efficient alternative to import substitution, which is an inward orientation strategy of development. Previously, developing countries had adapted inward oriented development strategies for enhancing industrial development that would translate into growth and development, which is designed to replace imported manufactures and merchandise with domestically produced merchandise in order to conserve foreign exchange and promote employment.

This strategy was prevalent in Developing Countries (DCs) that possess large domestic market, due to the large population size that characterize them, and that the supportive measures and incentives are not available to encourage producers to explore the export market. This policy strategy was resorted to by Developing Countries in the context of declining world markets for their primary commodities, rising balance of payments deficits on current account (Olorunshola 1996, p52). The major feature of this strategy are that:

a. Production is carried out behind infant industries under protection of high tariffs and quotas on imports – an array of import measures is required to sustain the process.
b. It is characterized by overvalued exchange rates

It should be noted that the extent to which a country purses this strategy can stall efforts towards outward orientation especially where large domestic market exists as is the case in Nigeria. This causes domestic manufacturers to be content with selling their products in the domestic market rather than exploring the export market. Since to them, it is an alternative to international market. Thus though a large home market may aid growth, it in the side counters the achievement of international competitiveness (CBN and NEXIM 1999, p14).

However, in current literal economic thinking, an outward orientation path towards economic growth and development is accepted across the board and advocated for developing countries like Nigeria to embrace. Since this is true of developed countries which are themselves outward oriented, that is why Western nations support free trade and globalization. And as pointed out by Olorunshola (1996, p51), it is now widely recognized that export oriented strategy is more effective than import substitution in achieving a faster growth and structural upgrading of an economy. Now many developing countries once enamoured in import replacement under the philosophy of economic nationalism, are switching to export promotion strategy. And this is true because countries like Korea, Taiwan, Singapore and Hong Kong particularly termed the ‘Asian Tigers’ and Latin American Countries such as Brazil and Chile. Others include Turkey and Thailan have attained success which conferred on them the status of Newly Industrialized Countries (NIC) or Semi-Industrialized Countries (SIC). And it is based on the significant success in the exporting of non-traditional merchandise, semi-manufacture and manufactured goods aside export of primary products.

For its theoretical conception, export-led-growth is an outward orientation development strategy to accelerate the level of total factor productivity growth and encourage Foreign Direct Investment (FDI), (Ram, 1985; Balasu, Bramanyan, et al., 1996 in Idowu 2005, p32). For instance, the competitive pressure in the global market may lead to product quality and force domestic producers to reduce their inefficiencies. It reduces, according to Bhagwati (1978): Kruger (1978) as cited in Idowu (2005, p32), the allocative inefficiencies of exchange control through foreign exchange liberalization, which is an important component of export-led-growth strategy. This notion orbits round the promotion and expansion of exports. Arguments forwarded to justify export-led-growth hypothesis in this literature is that:

a. Exports growth represents a rise in the demand for a country’s output and thus serves to accelerate real output
b. Specialization in the production of export products may be encouraged through export expansion and this might enhance the level of productivity and that is skill acquisition in the export sector.
a. country can export to world markets, such country enjoys export efficiency-force that promote increased motivation and competition thus lowering cost curves for the firm.
b. As adduced by Feder (1983, cited in Idowu 2005, p32), the marginal value to economy of a unit of investment in export expansion is significantly higher than that similar investment in non export sector.
c. A pro-trade strategy also attracts foreign exchange.

d. The domestic resource cost of earning a unit of foreign exchange tends to be less than the domestic resource cost of saving a unit of foreign exchange, (olorunshola 1996, p54)
e. It allows local industries to reap the benefits of internal economies of scale.

2.2 Empirical Literature Review

. The export sector serves as an outlet for commodities manufactured domestically from constituent sectors of the country's economy. In Nigeria the domestic sectors are categorized as: a. oil and b. non-oil sectors. The non oil sector of the Nigerian economy is the whole of the economy less oil and gas sub-sector. It covers agriculture, industry, solid minerals and the services sub-sector, including transport, communication, distributive trade, financial services, insurance, government, etc in a very broad terminology (Adejugbe 1997, p67).

Exports are the goods and services produced in one country and sold to earn foreign exchange, which can be used to purchase goods and services from another country (Daisi, 2011 p32). Non-oil exports are exports merchandise are agricultural/farm produce, semi-manufactured and manufactured goods, and mineral exports and services exports.

The Nigeria's non exports sector is structured into four broad constituents which are the agricultural exports, manufactured exports, and solid mineral exports and services exports. Each constituent will be adequately profiled.

2.2.1 Agriculture Export

Nigeria's non-oil exports are mostly agricultural/farm produce which are normally referred to as her traditional export commodities. These are cocoa, rubber, oil-palm, coffee, cotton, wood products, cassava, ginger, fish and shrimps etc. However, it is important to mention that cocoa exports had pre-eminence as Nigeria's most exportable non-oil agricultural commodity (CBN and NEXIM, 1999, p54). In the 1960s to the 1970s, even the years preceding independence, agricultural produce exports played a dominant role in attracting foreign exchange, aside the solid mineral exports of cocoa, groundnut, rubber, palm kernels and palm oil accounted for 69.4 percent of total export earnings, out of the total 97.3 percent for which all non-oil exports accounted for. But overtime the Nigerian economy became mono-cultural, having been transformed from one dependent on fairly diversified portfolio of agricultural exports is consequence of several causative factors, which were:

a. As the World Bank Report (1984, p4) (cited in Ukpong 1997, p48), which notes that there has been a consistent bias in prices, tax and exchange rate policies against agriculture.
b. Ukpong (1997, p.48) cites then excising structures of incentives given to farmers in most African countries as one the reasons for the reasons for the continent's poor performance in agricultural output. And since farmers are price responsive as by Behman (1968); Oni (1969); Olayemi et al (1975) (cited in Ukpong 1997, pp.47-48), low producers prices and relative prices of competing crops constrained output.
c. The 1971-1973 drought, which caused significant fall in crop harvest as Nigerian agriculture is primarily rain-fed.

d. The rosset virus epidermic and pest of 1975
e. Little or no application of fertilizers to soils farmed continuously;
f. Shortages and high costs of farm labour (relative rural/urban wages); interest rates on loans
g. Dependence on wild and low yielding plant species, and outdated technology; and
h. Civil distribance that dislocate farmers and the population

These factors caused the share of agricultural export produce to fall from 63.0 percent in the in 1960s to 28.92 percent and 20.15 percent in 1973/74 and 1979 respectively. It not only decline in relative terms in 1973/74 and 1981, but in absolute terms. Its earning from export also fell. Aside the above factors, greater quantities of agricultural output were processed or consumed locally than hitherto. Another major structural change was the disappearance of a number of export products from the export list. Notable exports like groundnuts, groundnut oil, raw cotton and palm oil decline in their contributions to export earnings but also in real terms while others like timber, plywood, palm kernel, and groundnut cake, became mere shadow of their past importance (CBN and NEXIM, 1999, p31) All these were what characterized the agricultural industry in the pre-Structural Adjustment Programme (SAP).

However, the fortunes of agricultural goods improved stemming from the policies of the structural adjustment programme (SAP). The trend in years from 1986 to 1996 showed favourable growth for agricultural products. The deregulation of the commodity marketing boards as well as the devaluation of the naira, coupled with the incentive of 100 percent foreign currency retention scheme for repatriated export earnings significantly aided export expansion. The pre-eminence of export of agricultural products not withstanding, its share in non-oil exports fluctuated significantly. Cocoa accounted for most of the export volume of non oil exports products. Its export volume rose dramatically in 1986 and 1988, from then on it continued to fluctuate till in crashed in 1994 and 1995. the same is true of other commodities such as rubber and palm produce.

This due to economic conditions in the importing countries and continuous exportation of these commodities largely unprocessed or in semi processed form contributed substantially to the observed fluctuations their volume and value (CBN and NEXIM, 1999, p46).

The year succeeding the SAP years, which is termed post-SAP was characterized by increased openness of the economy and further depreciation of the naira. It should be noted that agricultural products export had increased. This post-SAP reform feature mixed trade policy stance-export promotion continued and control measures were exercised on imports, which were in force until 2003, when it was changed.

2.2.2 Manufactured Export

The manufactured exports to the international export market comprises of agro-allied and manufactured exports. The agro-allied export products are cocoa butter, cocoa powder, cocoa cake, cocoa paste, groundnut cake and wood products including furniture and fixtures etc. while main manufactures are textiles, chemical products, beer and beverages, urea-ammonia, insecticides, soap and detergents, plastics and non metallic mineral products and processed skin etc.

In the period succeeding independence and pre-structural adjustment programme, the non-oil exports was characterized by the predominance of the agricultural exports, which is reflected in its share of contribution to total export and non-oil export, which are 4.0 percent and 67.0 percent respectively. However, the manufactured exports were about 1.0 percent and 13.0 percent respectively in the same period (Adewuyi, 2005). However, with the adoption of the Structural Adjustment Programme (SAP), the degree of openness of the economy increased while the naira depreciated. Although there were fluctuation in the value of exports of processed or manufactured products between 1986 and 1991, the export value increased continuously from US$ 11.0 million in 1992 to US$ 24.0 million in 1996. All this was as a result of the measures put in place since 1986 to diversity the nation's non oil exports. But in terms of volumes, it was an opposite trend entirely; the quantum fell continuously from 38.6 thousand tones in 1993 through to 2.4 thousand tones in 1996. The structure in the post SAP showed that the share of semi-manufactured increased immensely from an annual average of 4.6 percent for the period of 1986 to 1990, to 23.0 percent in 1991 and 1995 (CBN and NEXIM, 1999, pp46-47).

However, this performance as highlighted in a World Bank study (1989) cited in the CBN and NEXIM study (1999) which showed that manufactured export accounted for 30 percent of exports from developing countries.

2.2.3 Solid minerals export

Solid minerals exports from Nigeria are cassiterite, coal, columbite, charcoal, asbestos, processed iron ore and marble. Exports of solid minerals to the international market have from the time of independence had minimal in terms of their volume and share of the exports earnings. Prior to independence, the solid minerals export were to satisfy the demand from industrial base of the British imperialism. But after independence, the Nigerian government avoided direct participation in the mining of solid minerals due large capital outlay involved, reoccurring flooding of mines, high risks intricate technology and huge financial outlay involved, instead mining was left to private firms. However, government still provided support as highlighted in the CBN and NEXIM (199, p28). However, in the 1970s engaged in direct participation, which was volte face to its earlier stance.

In the period of 1985 to 1996 accounted for an average 0.8 percent of total non-oil exports and about 0.1 percent of total exports. And in value terms, the export of solid minerals during the period was not substantial (CBN and NEXIM, 1999, p48). This clearly shows the infinitesimal contribution sold minerals made so far within the period. So far, in recent times government has instituted reforms to exploit the optimal potentials inherent and derivable from the solid minerals, and as ways of diversifying the economy from its oil exports addition.

2.2.4 Services export

Exporting does not only involve the delivery of physical goods to another country. Exporting can also include the export of services such as education, consultancies, nursing and tourism. These are known as service export. There are unique benefits to service exports that do not apply to goods, such as no or low freight costs. But service exports also carry risks and challenges, such as limited options for secure payment and the protection of your intellectual property rights (Business Victoria, 2007).

This is an export area in which there has been no significant activity or event occurring. It remains still a veritable means of generating foreign exchange for the country and facilitating economic development, which is largely untapped. Services such as transportation, tourism, communication, construction, insurance, financial professional, and technical activities are what countries in the developing countries, like Nigeria except for a few such as Egypt have not been able to export to the international market. However, Nigeria has been making progress ina n area like tourism in current times. Places like Obudu Cattle Ranch, Tinapa Business Resort, and other arrears of tourist attraction are spring up to offer leisure services.

Also in terms of financial and professional services, Nigeria has no services to provide here, although Nigerian experts work in other countries and remit money, in foreign currency back home, it is more of brain drain phenomenon. And some Nigerians serve in overseas countries under the Technical Aids Corps ((TAC), it is a foreign aid and cooperation to other developing countries. This does in no way bring foreign exchange to the country, Nigeria.

In the CBN and NEXIM study (1999, p33), the sector contributed an average of 30 percent to GDP between 1973 and 1981, 57 percent of it been made by the wholesale and retail trade sector. But its contribution to balance of payments was negative. The reason for this is because of Nigeria's low level participation in the provision of international services.

2.3 Problems of the Non-oil Export Sector

An assessment of the trend in the non-oil sector of Nigeria reveals that despite the various policies, strategies and reform programmes, the contributions of these sub-sectors of this sector has been dismal and below its full potential. For instance agriculture is still characterized by low productivity this stems from parcel of land with crude and outdated farm implements. Farmers lack access to credit facilities, production machinery and inputs because of inadequacies of their provision. Moreover, farming in Nigeria is well-nigh-rain-fed, lacking power water irrigation.

The manufacturing and industry segment seriously groans under high taxes and multiple taxes. It has to contend with the abysmal nature of public infrastructure and unconducive policy framework instituted by government in the business environment.

The solid minerals or mining sector has no concrete policy except until 2005, which is coming at a late period. It still is being hampered by a comprehensive database of necessary information pertaining to Nigeria's solid mineral wealth. Business engaged in mining need concessions and incentives because mining involves huge capital outlay and investment. Now access to these is not well encouraging, some mining firms still use outdated mining technology and obsolete equipment. And there also lies the problem of illegal mining to be curtailed.

The following are some of the problems the sector is faced with highlighted in a recent Central Bank of Nigeria (CBN) and Nigeria Export and Import Bank (NEXIM) study (1999, pp.60-66):

a. Inadequate and Decaying Infrastructure

Since the entire non-oil exports are domestic commodities from industries within Nigeria, they affected by shortage of public infrastructure which is aged old, decaying and lacking maintenance. Most industries have to, themselves provide for basic infrastructure to enable them operate.

b. Funding/financing Constraints

The banking services industry is not adequately supporting business in non-oil export due to high risk of export business and unavailability of foreign loans from these banks. Also manufactures of export merchandise can access modern equipment and spares that will aid the competitiveness of their commodities.

c. Ineffective Implementation of Export Incentives and Support Programme

Export schemes and incentives initiated by the government are not being administered by agencies statutory empowered to implement them. There are observed rigidities in trade procedures, delays in completion of export documentation and excessive use of discretionary powers by desk officers of various agencies facilitating posing constraints on export activity.

d. Near total reliance of banks of NEXIM for export finance resource

The banking industry has so far only shown preference to financing import activities rather than providing sufficient financial support to export. Rather banks have continually relied of the NEXIM for funds in order to financially support business in export trade of non-oil merchandise.

e. Over regulation of the non-oil export

An environment where exporting firms have to be subjected to enormous paper work and drilling inspection not only constitute an unnecessary stress but a disincentive to exports themselves.

2.4 Recommendation for Improving Non-oil Export Performance

Several causative phenomena have been identified and analyzed as adverse to, and responsible for the deteriorating growth in non-oil exports. The sectors needs remedial actions and corrective measures that have deep penetrating effects capable of realizing the optimum potentials of the sector. Some of these are as offered in a CBN and NEXIM study (1999, pp.88-92):

a. Upgrading Basic Infrastructure

Bringing up to date the state of basic public infrastructure will make the operating business environment suitable and conductive for firms and business engaged in production of non-oil merchandise. The privatization and commercialization of public utilities would overhead cost currently incurred by producers.

b. Diversification of market

Most of the non-oil exports are directly to exports markets in the United States and the Western Europeans. Efforts should be made to explore markets in other areas in the world.

c. Diversification Of Export Products

Nigeria's exportable products are few, mainly scheduled commodities, of which synthetic alternatives have been found for them. Therefore need to shift attention to the manufacturing sector through which much desired expansion can be achieved.

d. Quality of Export Products

To derive a substantial share in the world non-oil market, Nigeria's export products most attain and maintain high product standard with adequate placed on quality control.

e. Regional Economic Integration

Through the introduction of the eco currency, exchange rate problems that constrained the free flow of Nigeria's merchandise among will be eliminated.

Through economic integration Nigeria can use the advantage of its relative economic size to push its manufactures into the sub-regional market.

f. Monitoring of Policy Implementation

Consistent, regularized and effective monitoring of policies and performance of agencies charged with the responsibility of aiding the growth of the non-oil sectors of the economy. Instituted policies and planning should be reconciled with implementation and performance, coupled with regular analysis of each sector of the economy. Instituted policies and planning should be reconciled with implementation and performance, coupled with regular analysis of each sector.

2.5 Nigeria's Effort at Export Promotion

After independence, like most developing countries, Nigeria adopted the import substitution/inward orientation strategy towards development. The government promulgated trade policies that curtail the importation of certain commodities, by substituting them for local manufactured one. It worked on a system of tariff regime; quantitative and qualitative restrictions import and export licensing, foreign exchange budget and sectoral credit allocation (Abebefe 1995, p39). This policy was scrapped in 1986, replaced by export promotion strategy. In this course, institutional arrangements were established, incentives and concessions provided and policies implemented.

2.6 Trade Growth in Nigeria

Between 1962 and 1968, Nigeria's major foreign exchange earner was the agricultural sector. However, even though trade was liberalized during this period, agricultural exports declined and the sector did not benefit from the relaxed trade environment. Thus the kind of liberalization at that time (which favoured import substitution and consumption of foreign made goods), reduced the threat that an expanding agricultural exports sector may have had on the environment. The Export Crop Sector in Nigeria 97 Restrictive trade policies began to emerge between 1976 and 1978, and intensified in the period between 1978 and 1980. These included such policies as : general ban on non-essential imports, especially food imports;

- Tariff increases on some items;
- New duties on certain items not hitherto taxed;

- Imposition of compulsory advance deposit on some classes of imports;
- Industrial raw materials which were previously under open general license were placed under specific import license;
- Export bans were imposed on certain items;
- Export tariffs were reviewed upwards for some other items;
- centralized marketing of agricultural products was reinforced through the formation of Commodity Boards which handled specific crops. Again there was no specific linkage between environmental policies and trade policies during this period. Environmental policy statements in the plan were not based on any kind of empirical findings or policy analysis. Trade reforms in Nigeria's agricultural sector were aimed at expanding the export capacity of the sector through increased domestic production of export crops, increased domestic production of tradable semi-manufactured goods from agricultural raw materials, increased import of agricultural inputs such as fertilizers, agrochemicals, farm implements, farm power, and increased import of agro-industrial inputs, and finally a relative increase in resource allocation from non tradable to tradable crops in agriculture. This period of trade liberalization was accompanied by a sizeable boost in the agricultural sector. However, the period also witnessed a better-package environmental policy agenda. Notwithstanding this development, environmental policy formulation did not have a direct link to considerations regarding the consequences of trade liberalization policy. A national policy on environment that encouraged land-use and soil conservation and a more rational use of agricultural chemicals, was introduced perhaps as a result of the general increase in awareness related to the Rio Summit

2.7 Institutional Arrangement

To perfect its strategies, institution were also established which were given statutory responsibility to implement the policies and incentives. These organizations are as listed:

a. The Nigeria Export Promotion Council (NEPC).

This council was established by the Federal Government in 1976 to emphasize and manifest its commitment to the promotion of the export activities in Nigeria and her export merchandise. As its functions: I. it is to lead countrywide efforts in exports development and promoting ideas, suggestions and measures designed at advancing export trade in Nigeria. II. To advise and assist the state in highlighting export oriented industries and stimulated export trade in non-traditional. III. Facilitate the creation of the needed infrastructure for export trade such as export incentives and trade information.

b. The Nigeria Export-Import Bank (NEXIM)

As part of government drive at diversification the Export Credit Guaratee and Insuarance Corporation was established by Decree 15 of 1988. It was later to metamorphose to the Nigeria Export-Import Bank (NEXIM). It provides three (3) main services: credit, risk-bearing, trade and information and exporter advisory services. Aside all these it provided export credit guarantee and insurance to its clientele in respect of external trade, transit trade and entrepot trade, the purchase and sale of foreign currency and transmission of funds to all countries. It still provides support and aids not limited to the above.

c. The World Bank Small and Medium Scale Enterprises Loans Scheme (SME II)

In collaboration with the World Bank, the Federal Government obtained a loan for the Small and Medium Enterprises. It was to provide a major break through in the continuous dearth of credit delivery to SMEs and makes them a veritable engine of growth. This was due to problems arising from the massive depreciation of the naira exchange rate, which made SMEs difficult to finance their working capital.

d. The Nigeria Export Processing Zone Authority (NEPZA)

In the Decree #34 of 1991, which established the export processing zone in Nigeria also established the Nigeria Export Processing Zone Authority (NEPZA) which is to handle to establishment of export processing zones countrywide in Nigeria.

e. Commodities Exchange

At present, it is important to note the recent initiative taken by the Federal government to establish a commodities exchange in the country which is located at Abuja. It is called Abuja Securities and Commodities Exchange (ASCE). It is first of its kind and a response to dominance of agricultural/farm produce in the share of non-oil export merchandise. It was incorporated in 1998, June. There was need for an alternative institutional arrangement that would manage the effect of price fluctuations in the marketing of agricultural produce which has adversely affected the earnings of farmers since the abolishment of commodity Boards in 1986 (ASCE, 2007).

2.8 The Macroeconomics Policies for Export Promotion

In facilitating export promotion of non-oil merchandise, fiscal and monetary policies as well as exchange rate policy were initiated. The fiscal policies were to reduce the size of government, expand the private sector, rationalize government spending and reduce budget deficits and the burden of external debt profile, plus to stimulate domestic production exports. Some of the measures implanted are the programme of the privatization and commercialization of underperforming and moribund state enterprises, the introduction of debt rescheduling and debt conversion measures and tariffs reforms (CBN and NEXIM, 1999, p35). All these were resorted to, with the intent by the Federal Government to shift the economy to a market stimulated entity.

The monetary policy measures were to provide the suitable monetary environment that would guarantee a viable, stable and productive economic system with emphasis on reduction in imports, especially non-oil products. In pursuit of this vision, monetary instruments to curb the rising inflation were developed by the Central Bank of Nigeria (CBN), better system of foreign reserve management were adopted such traunching and an improved way to guarantee favourable of balance of payments.

The previous exchange rate policy of foreign exchange allocation was discarded on September 26, 1986. In place of it was an exchange rate that is market determined, and this was introduced for the aim of achieving a realistic exchange rate (CBN and NEXIM, 1999, p37), this lead to the era of deregulated exchange rate through the Second-tier Foreign Exchange Market (SFEM). However, the exchange rate was reserved to a guided deregulation of foreign exchange with the system called Autonomous Foreign Exchange Market (AFEM). This was to reduce parallel market premium, stabilize the naira and encourage the inflows of non-oil export receipts (Abebefe, 1995, p43). Now though this system is now obsolete, the aim of prompting non-oil exports and stabilizing the naira was still considered as at when the new exchange rate system was adopted which is the Wholesale Dutch Auction system (WDAS).

3.0 Research Methodology

3.1 Research Design

This is the plan and structure of investigating that guides the researchers. It is a logical model of proof that permits the research to draw a reference about the casual relationship between the variables under study, to also define the extent of generalization of the research findings.

It has been the overall pattern of framework of the project that stipulate what information is to be collected accurately and economically, fro, which sources and by what means. This research work is fundamentally analytical and descriptive as is embraces the use of secondary data in examining Non-Oil Export Determinant and Economic Growth in Nigeria.

3.2 Source of Data

The data gathered for this research are entirely secondary source materials. This mainly originated from the Central Bank of Nigeria bullions, bulletins and economic and financial reviews of the past years, including the Central Bank of Nigeria's Annual Reports and Statistical Bulletin 2008 and other secondary material.

The data sourced are related to the gross earnings of non-oil export, non-oil export for previous year, nominal effective exchange rate, consumer price index and the gross domestic product.

3.3 Data Analysis Technique

Considering the broadness of the non-oil sector of Nigeria, only aggregate estimates for the entire sector will be analyzed. Thus, an econometric analysis approach of simple linear regression will be the instrument for analyzing data. This will be computed with the use of Statistical Package for Social Sciences (SPSS). Subsequently, for the verification of the significance of the each identified parameter, a Standard Error Test will be used to test for the significance of each parameter. From the results, the co-efficient of determination i.e. (R^2) will be interpreted to show the level of relationship between dependent and independent variable.

3.4 Statement of Hypothesis

For this research, the hypothesis is formulated as:

Hypothesis:

H_o: The Non Oil Export does not contribute substantially to the Gross National Product (G.D.P).

H_1: The Non Oil Export does make substantial contribution to the Gross National Product (G.D.P).

3.4.1 Regression Model

Model for hypothesis:

GDP = f(NOE,Xnoe,CPI,ER)

$GDP = \exists o + \exists_1 NOE + \exists Xnoe + \exists CPI + \exists ER + U$

Where:

NOE = Non-oil export earnings

∃ = the slope coefficients of the productivity of the independent variable

Xnoe = Non-oil export for previous year

ER = Exchange rate

CPI = Consumer price index

GDP = Gross domestic product

U = Error term

Apriori criteria

Economic theory explains the nature of the variables on use and their relationship with one another especially the explained variable and the explanatory variables. The evaluation therefore is based on whether the coefficients conform to economic postulations. The expected relationship is that non-export should have significant effect on the Nigeria gross domestic product.

3.4.2 Interpretation of Model

For the econometric analysis of the research, models have been constructed, specified above to test for the validity and truthfulness of the hypothesis stated above In testing hypothesis, a functional relationship is specified showing Gross Domestic Product (GDP) as a function of the Non-oil Export and the other variable. In this regard, all the ∃ are the parametric coefficients of NOE, Xnoe, ER, CPI, measures the weight of export of non-oil, non-oil export for previous year, exchange rate, consumer price index merchandise on the value of national output i.e. Gross Domestic Product (GDP). The U is the error term which incorporates the random disturbances and variables omitted by the models.

The models are then subjected to a simple regression analysis to derive estimates, on the Statistical Package for Social Science (SPSS) version 15.0 These estimates and results of the simple regression will be interpreted in an elaborate form in the succeeding chapter.

4.0 Data Presentation And Analysis

4.1 Presentation of Data

Due to restriction of data published by the Central Bank of Nigeria in the statistical Bulletin information about the determinant of non-oil are no available. Hereby, i will be using the data's of GDP being my dependent variable and Non-Oil Export together with Inflation as my independent variables.

Trend analysis of gross domestic product, non-oil export and inflation

Since studying the trend of gross domestic product and non-oil is the basic objective in this study. Table 4.1 and figure below respectively shows the tabular trend of gross domestic product, non-oil export for previous year, nominal effective rate and consumer price index from 1988 – 2008

Table 4.1 gross domestic product, non-oil export, non-oil export for previous year, exchange rate, consumer price index 1988 – 2008 (I)

Table 4.2

4.2 Interpretation of Result

It is essential to determine the reliability of results obtained in table 4.2 above. This is to decide whether the estimated variables are theoretically sound and statistically significant. The results above empirically show the relationship between gross domestic product and the independent variables (non oil export, non-oil export for previous year, exchange rate and consumer price index).

The coefficient of exchange rate gives 474.902 indicating that there is a positive relationship between exchange rate and GDP, consumer price index gives 1078.232 indicating that there is a positive relationship between consumer price index and GDP, also non-oil export gives 0.327 and non-oil export for previous year gives 0.789 exerting a positive relationship between them and GDP but not as much as the other variables.

The correlation coefficient (R) is 0.989 which signifies that there is 98.9% degree of relationship between gross domestic (GDP) and the independent variables. The positive sign of the correlation coefficient also signifies a positive relationship. The coefficient of determination (R2) is 0.979 which signifies that 97.9% of total variation in GDP can be attributed to the specified explanatary variables while 2.1% is attributed to the error terms.

The Durbin Watson test result is 1.256, this represent a positive Auto-Correlation because 1.256 is lesser than or equal to 2 i.e $0 \leq 1.633 \geq 2$. The standard error of the estimate is 23051, 41132.

At the 5% level of significant, the t-statistics from the statistical table is (N-k; 21-5=16 t 5% significant is 2.12).the value of NOE is not statistically significant because its t-calculated 1.106 is lesser than t-tabulated 2.12, and the value of ER is not also statistically significant because its t-calculated 1.886 is lesser than t-tabulated 2.12 while the other values; the value of Xnoe is statistically significant because its t-calculated 3.053 is greater than t- tabulated 2.12, and also the value of CPI is also statistically significant because its t-calculated 3.891 is greater than t-tabulated 2.12. Therefore, we reject the Alternative Hypothesis (H_1) and accept Null Hypothesis (H_0) that says:

The Non Oil Export does not make substantial contribution to the Gross National Product (GDP).

In addition, f-statistic value from the Analysis of Variance (ANOVA) table is 18.294, it is greater than 1 and its significance level is zero.

This implies that NOE over the years have added little or nothing to the overall gross domestic product (GDP), and as such if meaningful GDP increase is to be achieved government should concentrated on other factors that affect GDP other than non-oil export.

5.0 Summary, Conclusion And Recommendation

5.1 Summary Of Findings

The purpose of this study was to examing the relationship between the non-oil export determinant and economic growth in the context of Nigeria, with a view to finding out the kind of link which exist between them. This was done by using data extending over a period between 1988-2008, this is expected to give a better representation of the variations in the economy over time, and therefore give a true picture of the relationship that exist between non-oil export determinant and economic growth in Nigeria.

The method of regression analysis was used to test the linear relationship between economic growth and non-oil export determinant. This study found out that there is no significant relationship between Economic Growth (GDP) and Non-Oil export as well as Exchange rate while the other variables has a significant relationship with economic growth which support the linear hypothesis, this relation was found to be statistically insignificant. However, non-oil export exhibited a positive relationship with economic (GDP).

5.2 Conclusion:

This research work as thereby identified the major factors that affect GDP positively to be non-oil export for previous year and consumer price index and as such the government has an important role to play if sustainable development is to be achieved since a insignificant non-oil export and exchange rate would slow down the economic growth.

Therefore, GDP in Nigeria which is affected positively by non-oil export for previous year and consumer price index should be increased for meaningful increased productively, economic growth and development to take place in Nigeria.

5.3 Recommendation

Since non-oil export was found positive with economic growth in Nigeria over the period of 1988-2008, it is believed that economic growth has become effective and efficient as government diversity to the sector. Therefore, measures to further improve and increase the earnings of the sector are thought to be necessary for the country to experience sustainable development.

1. The Federal Government should ensure that there is only a small margin between the producer prices of non-oil exportable product and world prices, so that farmers/ investors can benefit substantially from international trade.
2. The Government should legislate on agriculture product like the processing of cocoa beans to increase the value added and generate employment opportunities at the grassroots level.
3. There should also be an increased from government in supporting agriculture through the construction of rural roads, rural electrification, development of seed and fruit nurseries as well as primary and secondary schools to improve the level of literacy of the rural population.
4. The Government should increase the research and training funds that concern the environment, agriculture/trade and all other non-oil sector, so as to have detailed information about what is happening in these sectors on regular basis. Such research should be done by all the expected workers within the sector.
5. Associations should be establish and continually enlighten the members on environmentally degrading practices through training, workshops, seminars etc., and educate the farmers on sustainable tapping techniques in order to avoid slaughter tapping as currently practiced.

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Table 4.1 gross domestic product, non-oil export, non-oil export for previous year, exchange rate, consumer price index 1988 – 2008 (I)

YEAR	GDP	Xnoe	NOE	ER	CPI (1000)
1988	219875.6	2152.0	2757.4	13.0	3.80
1989	236729.6	2757.4	2954.4	8.9	5.50
1990	267550.0	2954.4	3259.6	7.7	5.70
1991	265379.1	3259.6	4677.3	6.3	7.00
1992	271365.5	4677.3	4227.8	3.7	10.42

European Journal of Business and Management www.iiste.org
ISSN 2222-1905 (Paper) ISSN 2222-2839 (Online)
Vol 3, No.3

1993	274833.3	4227.8	4991.3	3.0	18.80
1994	275450.6	4991.3	5349.0	3.0	29.70
1995	281407.4	5349.0	23096.1	0.7	45.03
1996	293745.4	23096.1	23327.5	0.8	51.47
1997	302022.5	23327.5	29163.3	0.8	56.73
1998	310890.1	29163.3	34070.2	0.8	63.49
1999	312183.5	34070.2	19492.9	0.2	63.63
2000	329178.7	19492.9	24822.9	0.2	72.87
2001	356994.3	24822.9	28008.6	81.2	84.90
2002	433203.5	28008.6	94731.8	88.9	96.20
2003	477533.0	94731.8	94776.4	100.6	117.90
2004	527576.0	94776.4	113309.4	107.1	129.70
2005	561931.4	113309.4	105955.9	106.6	144.70
2006	595821.6	105955.9	133594.9	105.0	157.10
2007	634251.1	133594.9	169709.7	106.7	167.40
2008	674889.0	169709.7	94316.7	102.7	192.60

Source: National Bureau of statistical/CBN.

Table 4.2 Regression analysis

Variables Entered/Removed(b)

Model	Variables Entered	Variables Entered	Method
1	Xnoe, ER, NOE, CPI(a)		Enter

a. All requested variables entered.

b. Dependent Variable: GDP

Model Summary (b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.989(a)	.979	.974	23051.41132	1.256

a Predictors: (Constant), Xnoe, ER, NOE, CPI

b Dependent Variable: GDP

ANOVA (b)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	398086935845.69	4	99521733961.425	187.294	.000(a)
	Residual	8501881018.653	16	531367563666		
	Total	406588816864.35	20			

a Predictors: (Constant), Xnoe, ER, NOE, CPI

b Dependent Variable: GDP

Coefficient (a)

Model		Unstandardized Coefficients		Standardized Cofficients	T	Sig
		B	Std. Error	Beta	B	Std. Error
1	(Constant	225962.591	9085.629		24.870	.000
	ER	474.902	251.814	.161	1.886	.078
	CPI	1078.232	277.115	.447	3.891	.001
	NOE	.327	.296	.118	1.106	.285
	Xnoe	.789	.258	.301	3.053	.008

a Dependent Variable: GDP