The Impact of Non-Oil Export Strategies on Econonic Growth in Nigeria [1970-2013]

Nwachukwu, Philip O.
Senior Research Officer
Nigerian Educational Research And Development Council (N.E.R.D.C) (South West Zone), 3 Jibowu Street
Yaba, Lagos
olisanwachukwu@gmail.com

Abstract
Export promotion strategy is a deliberate government policy undertaken to encourage and boast the production of commodities for export. This is meant to diversify the export base that led to favourable Economic Growth. Primarily, data were collected from statistical bulletin (CBN) and hypothesis formulated. Non-oil export strategies have impact on Economic Growth. Using the econometric tool of regression analysis, the infrastructure bears a negative relationship with the GDP and credit from commercial bank and tariffs have positively affected economic growth in Nigeria. This was supported by their t-statistics which are all significant. Based on the above, the following recommendations are made, the government should enforce non-oil export policies towards resuscitating the failing non-oil export industry, improve on export incentives and infrastructures, review of policies and practices that are not favorable to the exporters in the country.
Keywords: Non-oil Export Strategies, Economic Growth, Nigeria

Introduction

Export promotion is a deliberate government policy undertaken to encourage and boast the production of commodities for export. This is meant to diversify the export base and led to a more favourable economic growth (GDP). (Dibie 2013). Economic growth (GDP) depends on the export strategies, which aimed at encouraging and assisting exporters to increase and diversify the total value of non-oil exports. These strategies are designed to address the major problem of supply, demand, and price competitiveness of Nigeria's export. Some of these strategies are Duty Credit Certificate (N-DCC), Duty Drawback Scheme and Duty Drawback Facilities, which provide refunds of duties/ surcharges of raw materials use for manufacturing of products, others include, Trade Liberalization Scheme, Export Development Fund Scheme, Export Expansion Grant (EEG) Scheme and Free Zone law for export processing zone. (Oyeide 2012).

Non-oil export diversification based in two categories, the Agricultural sector, which has suffered from years of mismanagement, inconsistent and poor government policies and the lack of basic infrastructure. This made the sector accounts for over 26.8% of GDP in recent years. The failure of agriculture was due to the increase in Nigeria population and the oil boom of the 1970's that led Nigeria to neglect its strong agricultural and manufacturing bases in favour of an unhealthy dependence on crude oil. (Pius 2012). The dominance of oil export not only led to the neglect of the non-oil export productive base, but also brought about an unprecedented expansion in the volume of import of various categories by both the public and private sector. Agriculture and manufacturing are parts of non-oil export sectors that have suffered from mismanagement, inconsistent and poor government policies and the lack of basic infrastructure, obsolete varieties and land tenure system which made the sector accounts for over 26.8% of GDP in recent years.

Economic growth with poor level of technology and, capital formation, inadequate utilization human resource, natural resources, are challenges that hinder growth. (Eyiuhe 2010). Inadequate infrastructure would lead to poor provision of a good communication system, electricity, water supply and poor transportation network. (Pius 2007). The availability of credit from commercial bank to help industrial and other non-oil sectors are not made available due bank requirements Polices. This really affects the non-oil exports. (Okafor 2003). Tariffs system affects the locally made goods for exports due to high customs and excises duties. This discourages production of such commodities for export and causes prices to rise. (Pius 2001.)

These challenges faced by industrial sector are inconsistent of government policies, a collapse of basic infrastructure tariff system, and non-availability of credits. Non-oil export strategies is designed to increase foreign exchange earnings, improved balance of payment position, creates employment and development of export oriented industries in the manufacturing sector and agricultural sector and improves government revenue. (Nwachukwu 2014).

Statement of the problem

It has been established in the literature that export trade is an engine of growth. It increases foreign exchange earnings, improves balance of payment position, creates employment and development of export oriented industries in the manufacturing sector and improves government revenue through taxes and tariffs. However,

before these benefits can be fully realized, the structure and direction of these exports must be carefully tailored such that the economy will not depend on only one sector for the supply of needed foreign exchange. The dominance of oil export not only led to the neglect of the non-oil export productive base, but also brought about an unprecedented expansion in the volume of import of various categories by both the public and private sector. Agriculture and manufacturing are parts of non-oil export sectors that have suffered from mismanagement, inconsistent and poor government policies and the lack of basic infrastructure, obsolete varieties and land tenure system

Economic growth with poor level of technology and, capital formation, inadequate utilization human resource, natural resources, are challenges that hinder growth. Inadequate infrastructure would lead to poor provision of a good communication system, electricity, water supply and poor transportation network. Tariffs system affects the locally made goods for exports due to high customs and excises duties. This discourages production of such commodities for export and causes prices to rise.

Objectives of the study
The objective of this study is to;
1.   Find the impact of export strategies polices on economic growth.

Research questions
This study seeks to answer the following research question;
1.   What are the impacts of export strategies policies on economic growth?

Hypotheses of the research questions
As a further guide in the conduct and advancement of this study, the researcher has formulated the hypotheses:
Ho: Export strategies policies have no impacts on economic growth.
H1: Export strategies have impacts on economic growth.

Empirical literature
The Nigeria non-oil export generated over $1.7billion (#252 billion) in 2009, to the Nigeria economy. This however represents a decrease from $1.82 which the country earlier recorded in 2008. The Nigeria export promotion council (NEPC) believed that the non-oil export sector of the nation's economy has been picking up with revenue expected to hit over 52billion before the end of year 2010. The sector has recorded $638.4million already in the first quarter of 2010 which is an indication that the country is moving towards realization of its diversification from oil to non-oil target. (NEPC 2009). Women in export development summit that held in Lagos recently proceeds were mainly from export of cocoa beans, processed cocoa power, etc. Nigeria products have gained international acceptance and can compete with products from other country. He however admitted that the Nigeria non-oil export is presently facing infrastructural problem, bank requirements for available credit, the tariff system, improper implementation of tax subsidies and other non-oil export development challenges, which he said that the federal government is making serous effort to address Emmanuel . (2011). The overall aimed of engendering the Nigeria export strategy is to ensure gender equity, so that it becomes a catalyst for greater and improved social and economic development. (Lawal 2009).

The contributions of the non-oil sector to the economy showed that the country recorded a 138% decline in it revenue generated from non-oil export thin 2012 when compared with the revenue it generated within the period in 2008. He also said that the total income generated from non-oil export from January to September 2012 stood at $900million while in 2008 was $1.9billion. (Pius 2013).

Agriculture has suffered from years of mismanagement, inconsistent and poorly conserved government polices and the lack of basic infrastructure, but yet the sector still account for over 26.8% of GDP. Nigeria is no longer a major exporter of cocoa, groundnuts, rubber, and palm oil. Cocoa production mostly from obsolete varieties and overage tree is tangent at around 180,000 tons annually; 25 years ago it was 300,000tons. An even more dramatically decline in groundnut and palm oil production. This may be cause of Nigeria land tenure system which does not encourage long term investment in technology or modern production methods that does not inspire the availability of rural credit. Agricultural sector suffer from extremely low productivity, reflecting reliance on antiquate methods. The overall agricultural production rose by 28% during the 1990's per capita output rose by only 8.5% during the same decade. He concluded that agriculture has failed to keep pace with Nigeria's rapid population growth so that the country which once exports food now relies on imports to sustain itself. (Okafor 2012).

The oil boom of the 1970's also led Nigeria to neglect its strong agricultural and manufacturing sectors bases in favour of an unhealthy dependence on crude oil. In 2000, oil and gas export accounted for more than 98% of export earnings and about 83% of federal government revenue. New oil wealth, the concurrent decline of other economic sectors and a lunch toward a statistics economic model fueled massive migrant to the cities and led

to increasingly areas. A collapse of basic infrastructure and social service since the early 1980's accompanied this trend.

Research methodology
Variable of the model
Samuelson and Northaus (2001) viewed economic growth as "the expansion of a country's potential (GNP). Economic growth occurs when a nation's Production Possibility Frontier (PPF) shifts outwards. This study extends its tentacle by specifying the growth export model in a multivariate structure. The aim here is to incorporate other relevant factors that lead to growth. This expansion of PPC may be due to non-oil export strategies which include development of infrastructure, availability of bank credits, and the tariff system. (Eyiuhe 2000). Adequate infrastructure would lead to good communication system, electricity, water supply and good transportation network. (Pius 2007). The availability of credit from commercial bank to industrial and other non-oil sectors will also increase economic growth. This really affects the non-oil exports. (Okafor 2003). Tariffs system may boast locally made goods for exports where customs and excises duties are low. This encourages production of such commodities for export. (Pius 2001.)

Specification of the model
Specification of model involved the determination of the dependent and independent variables which will be included in the model below:

$$Y = b_0 + b_1 TAR + b_2 CRE + b_3 INFR + U \ldots\ldots\ldots\ldots.. (1)$$

Where
Y = Economic growth (proxy by GDP)
TAR = Tariff system proxy by (customs and excises)
ACRD = Availability of Credits from commercial bank
INFCY = Infrastructural Facilities (proxy by transportation and communication)
The linearised version of equation (1) in natural log is given as

$$LnGDP = b_0 + b_1 lnTAR + b_2 lnCRE + b_3 lnINF + U \ldots\ldots\ldots\ldots (2)$$

Method of data analysis
The method of data analysis used in the study is the Ordinary Least Square method (OLS). We are sticking to this because the alternative econometric techniques like the Two Stage Least Square (2SLS), Three Stage Least Square, Limited Information Maximum Likelihood (LIML) and Full Information Maximum Likelihood (FIML) are more sensitive to specification error of auto-correlation and regression than the Ordinary Least Square. The Ordinary Least Square estimation possesses the BLUE properties, which include efficiency, consistence and unbiasedness. The error term U shows the stochastic nature of economic phenomenon.

Testing of the model
Testing of the model should be based on the following tests.
(i) The coefficient of multiple determinations (R). It is used to judge one explanatory power of explanatory variables on one dependent variable.
F test is used to test whether or not there is a significant impact between one dependent variable and the independent variable.
T-statistics examines the independent variable and try to find out whether the coefficient is significant or not, if the value of the coefficient is more than 1.84, we will accept the coefficient as being significant and otherwise.
The Durbin Watson (DW) is used to measure the presence of auto-correlation. If the result is ≈ 2, it implies the absence of auto-correlation.

Hypothesis testing
The stated hypothesis is tested at 0.05 level of significant. The null hypothesis will be accepted if the probability at which the t-value is significant is greater than the chosen level of significance otherwise, the alternative hypothesis is to be accepted for all variable included in the model. Symbolically reject
Ho if T value < T table
Hi if T value > T table

Interpretation of regression results
The model in table 4.4 represents Gross Domestic Product Equation which could be arrived at by mere substitution with little or no discrepancies. From the regression, R square (R) value of 0.85 shows that at 85%, the explanatory variables explain changes in the dependent variable. The adjusted R supported the claim with a value of 0.83 or 83%. This implies that the explanatory variables explain the behavior of the dependent variable

at 83% level of confidence. The calculated F-statistic value of 66.26404 which is greater than the value in the F-table implies that all the variables' co-efficient in the above regression result are all statistically significant.

The Durbin-Watson (DW) statistics shown in the regression result is 1.5298 which is approximately 2. This implies the absence of multi-colinearity. The regression results were realized using the Ordinary Least Square (OLS). Technique, used is the help of Econometric View Software. The mean of the dependent variable as shown by the regression result is 13.147 while the standard deviation (SD) is 2.4519 which is less than one (>1). This further justifies the acceptance of the regression result. The value of the probability (F-statistics) is 0.00 which implies that the probability of rejecting or accepting the result is 0% and 100% respectively. The above model tested the effect of three variables namely credit from commercial bank (CRE), tariffs (proxy by custom and excise duties) (TAR), and infrastructure (proxy by transportation and communication) (INF)

The regression result also shows that there is a positive and significant effect of Credits from commercial bank on Economic Growth (GDP) with a coefficient of 0.49; hence credit is elastic to GDP. Tariffs has a positive effect on GDP, infrastructure also has a significant positive effect on GDP with coefficient value of 0.156

From the values of the t-statistics, the coefficients of the explanatory variables were all significant expect infrastructure and the probability of rejecting any of them was less than 1%. The standard errors for the explanatory variables were all the variables coefficients were all significant and accepted.

Conclusion

The purpose of enhancing economic growth of the non-oil export sector and raising production in the economy, non-oil strategies should be aimed at increasing the nation's economic growth, increase foreign exchanges, create employment to many Nigerians provides raw materials for domestic industries, provide an avenue for introducing foreign technology through the participation of foreign firms, and enhance the development of technical and managerial knowledge that is the transfer of technology managerial skills of indigenous manpower.

Recommendation

Based on the above conclusion, the following recommendations are made. these include that:
 i. Government should enforce non-oil export policies towards resuscitating the failing non-oil export industry,
 ii. Improve on export incentives and infrastructures,
 iii. Review policies and practices that are not favorable to the exporters, and apply a national export programme which will inculcate the export culture in the country.

Reference

Adewuji .O. (2011) The agriculture sector in Nigeria the forward. CBN   Lagos/ Abuja bulluim Vol.21 no 3

Adubi .B (2000) Trade policies and the promotion of manufacture exporting Nigeria. A paper presented at the Nigeria Economy Society Annual Conference.

Anyanwuocha .O (2012) Growth strategies in semi-industrial country quantity journal of ceremonial vol.84

Awoseyide A (1997) Export and Economic growth in Nigeria. A reconsideration of evidence "journal of economic management Vol.

Central Bank of Nigeria Economic and Financial Revise" Vol. 29. No. 3 September. 2012.

Awosika, K. (1974) "Inflation in Nigeria 1974 an Dafter" Inflation in Nigeria proceedings of the 1974 National Conference on   Inflation" Organised by NISER, Ibadan, Edited by H.M.A Onitiri and Keziah Awosika, 1982.

Bhagluwatt, A. Onitsuka, Y. (1980) "Export-Import responses to Devaluation Experience of the Non- Industrial Countries in the 1960s". International Monetary Fund (IMF) Staff Papers. Vol. 21. July, 1984.

Bannock I et al (1976) Design and implementation of non-oil policies in Nigeria in obandan in polices for export growth and economy development WCE/NA/ICES Ibadan

Cairncross, S.A. (1975) "Inflation, Growth and International Finance" (George Allen and Unwin Ltd.)

Chisoholin O and Micanty K (1991) Export promotion and Nigeria's Export trade development in Oyejide T.A and Obadan in applied economic and economic polices, university press Ibadan.

Chuku A.C. (2009) "*Measuring the Effects of monetary policy innovations in Nigeria. A structural vector Auto-regressive Approach*. African Journal of Accounting, Economics, France and Banking Research vol 5. No 5.

De- Leeuw F. and Kalchbrenner. (2000). Monetary and Fiscal Actions A test of relative importance in Economic Stabilization a comment Federal reserve Banks at St. Louis Review, April, 2000.

Edward, S. (1982) "Exchange Rate Misalignment in Developing countries" (Macmillan St. Martin's Press. 1982).

Elbadawi. I (1990) Inflationary Process stability and the role of public expenditure in Uganda

Emmanuel .A.I. (2011) Impact of monetary policies on inflation in Nigeria (1980-1995). An unpublished Msc

Thesis submitted to the department of Economics, Abu, Zaria.

Engle, R.F and Granger, C. (1987) "Cointegration and Error correction: Reproduction, Estimator and Testing". Econometrica, 55, pp 251-276.

Enoma (2011): *Exchange rate deprecation and inflation in Nigeria (1985-2008).*

*E*rbakal .E. and Okuyan HA. (2008) Does inflation Depress Economic. Growth? Evidence from Eyiuche A C (2012) Economic problems of under-development and developing Economies

Ismail K (2011) Strategies on export promotion in Nigeria economy

Lawal M (2009) Structure of the Nigeria Economy Spring field publications.

NEPC (2009) Non-oil export trade and economic growth, an econometric analysis.

Olawansu S (2011) Macroeconomics for universities: Pam unique publishers.

Okafor K (2012) Problem of industrial planning and management in Nigeria London: Longmans

Okafor O (2012) The Nigeria financial system. The Macmillan press ltd London

Ojo O (2004) Obstacle to Nigeria private investment' Nigeria journal of economics and social studies.

Oyeide A (2011) Introduction to Agriculture production economics. University of Ibadan press

Dependent Variable: LNGDP
Method: Least Squares
Date: 09/05/10   Time: 12:31
Sample: 1970 2013
Included observations: 43

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.984409	0.976110	4.081927	0.0002
LNINF	0.387732	0.253559	1.529156	0.1352
LNTAR	0.155829	0.080488	1.936056	0.0610
LNCRED	0.485686	0.233618	2.078976	0.0450

R-squared	0.850294	Mean dependent var	13.14737
Adjusted R-squared	0.837462	S.D. dependent var	2.451889
S.E. of regression	0.988502	Akaike info criterion	2.911663
Sum squared resid	34.19977	Schwarz criterion	3.082284
Log likelihood	-52.77742	F-statistic	66.26404
Durbin-Watson stat	1.529822	Prob(F-statistic)	0.000000

The Regression model is LNGDP = 3.984409 + 0.485686*LNCRE +0.387732*LNINF + 0.155829*LNTAR

Table 4.4 – summary of Estimate of the equation

EQN	LNCRE	LNINF	LNTAR	C	R	FS	SER	DW
1	0.485686	0.387732	0.155829	3.984409	0.85	66.264040	0.988502	1.5298
	2.078976	1.529155	1.936056	4.081927				

Note: Numbers in parentheses are t-values
All entries are not approximated values

The IISTE is a pioneer in the Open-Access hosting service and academic event management. The aim of the firm is Accelerating Global Knowledge Sharing.

More information about the firm can be found on the homepage:
http://www.iiste.org

CALL FOR JOURNAL PAPERS

There are more than 30 peer-reviewed academic journals hosted under the hosting platform.

Prospective authors of journals can find the submission instruction on the following page: http://www.iiste.org/journals/ All the journals articles are available online to the readers all over the world without financial, legal, or technical barriers other than those inseparable from gaining access to the internet itself. Paper version of the journals is also available upon request of readers and authors.

MORE RESOURCES

Book publication information: http://www.iiste.org/book/

IISTE Knowledge Sharing Partners

EBSCO, Index Copernicus, Ulrich's Periodicals Directory, JournalTOCS, PKP Open Archives Harvester, Bielefeld Academic Search Engine, Elektronische Zeitschriftenbibliothek EZB, Open J-Gate, OCLC WorldCat, Universe Digtial Library , NewJour, Google Scholar