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Non Oil Exports a Key to Nigeria Economics Recovery from Recession

Abubakar Adamu

Faculty of Business Administration, Nahda College Khartoum Sudan
E-mail: adamu7360@gmail.com

Abstract—*Nigerian economy has been battered by the monster of recession which is as a result of declines on crude oil prices in the international oil market. The situation of Nigeria became worst since it has been depending largely on crude oil exports even though the country is endowed with multiple number of other mineral resources and agriculture that has for decades remain sectors contributing more to the country's economic growth and development. The objective of this research is to identify the performance and contribution of non-oil export to the nation's GDP, and evaluate government policies or measures to be taking in order to boost the contribution of non-oil sectors to the economy and pull us out of recession to potential growth and development. To achieve these objectives, regression analysis will be used to analyze the data using OSL techniques. Finally, recommendations which include encouraging financial institutions, improving data collection and banking, efficient allocation and use of resources, government based investment in non-oil sector in order to diversify the Economy (From over dependence on oil to a multicultural economy) are given.*

1. INTRODUCTION

Non-oil exports are the products which are produced within the country in the agricultural, mining and quarrying and industrial sectors that are exported to generate revenue for the growth of the economy excluding oil products. The sector export coal, cotton, timber, groundnut, cocoa, rice, beans, etc.

Today, as in the past, the growth of Nigeria economy remains partly dependent upon increasing productivity of the agricultural sector.

Helleiner (2002) state that no matter how much development and structural transformation achieved, it will remain its relative dominance in the economy for many decades to come. Precisely, it's from agriculture that the economy receives its principal stimulus to economic growth.

Agricultural sector can assist through the exportation of principal primary commodities which will increase the nation's foreign earnings and which can be used to finance a lot of developmental projects. The growth of the agricultural sector can make a substantial contribution to the total revenue, as well as having some implications for intersectional terms of trade. Also int he area of capital formation, the savings generated in this sector can be mobilized in development purposes, while increase in rural income as a result of increasing agricultural activities can further stimulates the product of the modern sector.

The needs of the agricultural sector could indirectly influence the creation of additional infrastructures which are indispensable to rapid economic development. (Olaloku, 2001).

Another non-oil sector to be developed is the industrial sector. It is the fastest growing sector in Nigerian Economy. It comprises of many manufacturing and mining. Nigeria has manufacturing base prior to 1960 and shortly after.

The problem affecting that sector was due to lack of modern technological skills, managerial experience of complex organizations and financial back-up. The problems ware further aggravated by the colonial merchants convincing arguments on the goodness of comparative cost-advantage. Nigerians were forced into concentrating their efforts in the production of Primary agricultural products and exporting them to the metrological industries in Europe. Even our industrial sectors that took off after independent relied on Setlite firms representing British interest. The bank sector, which is constellation of colonial bank branches and some companies that were able to invest in manufacturing were the multinational that have access to funds, technology and managerial expertise. The Nigerian manufacturing sector has been described by Ikediala (1983) as consisting of more assembling plants. He says that the implication of this is that the industries have very little background linage in the economy, since the bulk of the inputs is imported, thus the manufacturing sector depends on imported raw-materials of 42%. The capacity utilization of manufacturing industries has always been low in this country. The reasons as put by CBN (1998) are not unconnected with raw materials scarcity, consumer's resistance due to high prices, and increase in cost of manpower. Others mentioned are equipment breakdown due to poor technology and lack of spare parts. Time lies between when inputs are ordered for and when they arrive, cash problem in industries becomes a permanent features.

2. STATEMENT OF THE PROBLEM

Nigeria remained a net exporter of agricultural products between 1960 and 1970. Goods exported include palm oil, palm kernel, cotton, groundnut and so on. Agriculture through export of non-oil products has a rosy record contribution up to 80% of the gross domestic product and provide employment for over 70% of the work population. But recently there has been a steady decline in terms of agricultural product. This decline comes with surge of revenue from oil export. But the discovery of crude oil alone cannot be held responsible completely for the misfortunes or decline of the agricultural sector. The policy instruments put in place by successive governments were more of lip-service than concrete action.

The creation of marketing board contribute greatly to the decline of non-oil export since the board has the sole right to export the commodities. It is also pertinent to say that fixing of export products prices by marketing board discouraged further private investments in the sector. Further, the sector suffers from inadequate credit facilities; they have no security to back up their loan applications. Those who are lucky to be given loans do not make proper use of them. Infrastructural facilities were not provided and even when provided, they were highly substandard, the CBN objectives on agricultural loans also floated. The package of policies used did not only discriminate against export development but also disturbed the economy in several other ways. For instance and exchange rate of an artificially high level was maintained which in turn reduce profitability of exports, raised domestic cost along world process and reduced level maintenance uncompetitive in the world market.

In view of these problems resulting from the inappropriate use of policies persisted over time and necessitated the need to change policy direction. More emphasis was directed towards the promotion of non-oil exports. Various Fiscal and Monetary policies have been restored to various governments in Nigeria to encourage the non oil performance and the economy in general.

It is on this basis of the above that this study seek to investigate empirically, how we can restore the glory of the non-oil sector to enable Nigeria recover from its recession and contribute to stable growth and development of its economy. As such it's necessary to ask the question:

1. To what extent has the non-oil exports sector contributed to the overall GDP?

3. OBJECTIVE OF THE STUDY

The general objective of this study is to access how the non-oil sector can help lead Nigeria out of its recession. To achieve this, the following specific objectives are formulated:

1. To identify the performance of non-oil export earnings on the nation GDP
2. To evaluate governments policies or measures towards boosting non-oil sector contribution to the economy.

4. STATEMENT OF HYPOTHESIS

To carry out this research, the following hypotheses were formulated:-

Ho: b1 = 0: Non-oil export has no significant impact on the GDP

H1: b1 # 0: Non-oil export has a significant impact on the GDP

5. SIGNIFICANCE OF THE STUDY

The study will enable policy makers to formulate appropriate policies that will aim at improving on the quota of the total revenue brought about by the non-oil sectors of the economy. Furthermore, Since not so much works have been done on the contributions of non-oil exports to Nigerian economic growth, this study will be of great importance.

6. LITERATURE REVIEW

Non-oil export products are those commodities excluding crude oil, which are sold in the international market for the purpose of revenue generation and hence enhance economic development by improving the standard of living and welfare of the society.

According to CBN publication (1998) on the Nigerian export products guidelines, oil export and non-oil export had to be distinguished because of the great differences in terms of volume and value of the export earnings between the two. Oil export products accounting for over 92% of total volume of export and 86% of total value of export earnings (CBN 2001), leaving non-oil export with just about 8% of total volume of export and 14% of the total value of export earnings.

There had been serious concern over the dependency on oil export earnings in the growth and development of Nigerian economy. Following this, successive governments had tried to embark on diversification of the export base of the country thus; there had been efforts in the past and present, to increase the non-oil export of Nigeria both in volume and earning value. As Solido (2002) noted that the easiest way to fastening nation's growth and development is to broaden over export base of non-oil exports, which will invigorate the oiling sector of the economy and help place the economy on the sustainable growth and development path. According to CBN publication (2001), non-oil export products can be broadly classified into three major groups. These include:

a. The Agricultural commodities and products

b. The solid mineral export products

c. The craft and manufactured export products

The agricultural Commodities and Products Export

This category of export products was once the major source of export earnings to Nigeria and it was before and immediately after the nation's independence period to the oil boom of late 1960s and the 70s value products like groundnuts and cotton in the north, in the west we had cocoa and rubber while in the eastern part we had palm oil and palm karnal products. In recent time, we had other exportable agricultural products and commodities like, cashews nut, sealer seed, and 2004 had readiness to export cassava products worth over $4 billion (US dollar) to countries in Europe and Asia within four years period.

The Manufacturing and Craft Export Products

This is another type of non-oil Export Products which is not encouraged in years past. According to Ikpeazu (2000) the problem of manufacturing sector are numerous and these had cost the country to have its own fair share in the export of manufactured goods due to the quality and not meeting international standard.

The Solid Mineral Export Products

This is the last category of the non-oil export as discussed by the CBN. It contributes significantly to the export earnings of the country before the advent of oil. Solid minerals like coal, tin ore, columbines, limestone, e.t.c were once the pride of the nation or the part and region where they were mined like coal from Enugu, tin ore from Jos, Limestones from Nkalagu, e.t.c, their dwelling fortune could be attributed to the high dependency of oil and neglect of those sectors.

7. EMPIRICAL LITERATURE

Many empirical studies have been carried out to determine or evaluated the impact of export promotion on economic growth and development. Most of these studies employed cross sectional analysis of inter-country data on export and gross domestic products or gross national products.

Fajana's (1979) study was meant to hold view that non-oil trade has a major correlation to economic growth and development in Nigeria. Fajana employed a chancery. Generally, the result indicates a positive and strong relationship between non-oil revenue increase and changes in economic growth and development and hence provides empirical support for this research that non-oil Products trade has been an important factor in economic growth and development in Nigeria. Hence, oil export revenue proved to have a negative impact on economic growth and development in Nigeria over the past decades. Fajana in his study used the regression analysis OLS technique in his analyses to make this findings and hence stated that in his findings government expenses which has been assumed and believed to have a positive impact theoretically appears to be statistically insignificant to economic growth (GDP) and development in Nigeria in his work. In his analysis, he failed to specify what sort of trade and what commodities encourage economic growth and development in Nigeria but rather he generalized which seems to be unrealistic because some commodities command the market more than others and he also failed to differentiate non-oil trade from oil export trade in his analysis.

Oni (1986) conducted a research using the Pearson and Spearman correlation analysis. Oni's main point of deviation from other people's analysis is that, instead of aggregating, he took a separate study of the quantities of each of the trading partners. He proposed that the non-oil product export (palm oil) deficit a positive relationship with economic growth and development in Nigeria and also stated that government expenditure mismanagement has been the reason for the statistical insignificance to economic growth and development in Nigeria in his study and also been the reason for the slow pace of non-oil export revenue's slow contribution to economic growth and development in Nigeria, even though it is meant to itself have a positive impact on economic growth and development in Nigeria. This new approach will finished information on the demand condition that might exist in each of the countries importing Nigeria palm oil. His study is rather complex, time consuming unlike other people's analysis reason being that he is taking the quantities of each of the trading partners separately rather than aggregating and drawing regression analysis which appears to be simple, less time consuming and reliable.

Ozoudu (2010) also discovered using econometric method that the oil export revenue has an adverse effect on economic growth and development in the Nigerian economy over time and is statistically insignificant, non-oil export revenue and public spending have a positive impact on economic growth and development in Nigeria over time, with non-oil revenue statistically significant and government spending statistically insignificant in his findings. He as well recorded that the inefficient performance of the non-oil marketing board deterred the non-oil export efficiency and effectiveness in generating revenue for Nigerian economic growth and development. This study proved simply statistical; he failed to express the commodities that comprise the non-oil export sector; he also failed to state which statistical econometric test carried out in his study; he failed to detailed reasons as to why government expenditure appears to be statistically insignificant in his study.

8. MODEL SPECIFICATIONS

In this research, a two- way multiple regression models is used to analyze and establish the relationship variable. The two-way multiple regression techniques is used because it gives the best fit, and is an unbiased estimator.

Our model is given as: GDP = F (Noil, oil, GEX) where:

GDP - Gross Domestic Products

Noil - Non-oil Export

Oil - Oil Export

GEX - Government Expenditure

The mathematical form is as follows:

Bo = the intercept of the regression line

B1, B2, B3 = the slope of the regression line

U = Error term or disturbance term

9. DATA PRESENTATION

STATIONARY TEST (TEST FOR UNIT ROOT)

The Augmented Dickey-Fuller (ADV) test for unit roots was used to check for the stationarity of the time series data used in the study. The results are presented below indicating the order of integration of the data.

variable	T-Statistics at level	Critical values at 5% level	T-Statistics at first difference	Critical values at 5% at 1st difference	T-Statistics at second difference	Critical values at 5% at 2nd difference	Order of integration
LnGDP	0.189207	3.587527	4.059621	3.595026	-	-	1(1)
LnGEX	0.857833	3.603202	2.552896	3.632096	8.244758	3.622033	1(2)
LnNOER	1.320028	3.603202	-	-	-	-	1(0)
LnOER	2.925827	3.587527	5.234571	3.603202	-	-	1(1)

From the table above the unit root test results of all variables can be seen. As a rule of thumb, if the absolute value of t - statistics is higher than the critical values at a specify level of significance, then we can conclude that such variable is stationary and has no unit root. Therefore, such variable is integrated to order (0, 1, or 2) depending on the order of integration.

The table shows that all variables were integrated at level but only LnNOER was found to be stationary. Therefore we can say that it is integrated of order zero 1(0). The remaining variables were then differenced once and LnGDP and LnNOER became stationary because their absolute T-statistics values are greater than the critical values at 5%. We can therefore state that they (LnGDP and LnNOER) are integrated OF order one, i.e 1(1). Meanwhile, LnGEX was not stationary at level and first difference, given us enough reason to difference the second time. It was found to be stationary at second difference. Therefore, it is integrated of order two (2) i.e 1(2).

Given the stationary of the variables at various levels, we can therefore proceed to carry out the ordinary least square (OLS) technique of multiple regression.

Summary of Regression Result From E-views

LnGDP = 5.420268 + 0.191507 LnNOER - 0.096695 LnOER + 0.112034 LnGEX + N

S.E. (0.164130). (0.048260). (0.063052). (0.075491)

T-Statistics: Bo = 33.02426. P. value = 0.0000

B1 = 3.968240. P. value = 0.0006

B2 = -1.533583. P.value = 0.1385

B3 = 1.484063. P.value = 0.1508

Durbin-Watson = 0.673539

F-Statistics = 104.4699. P.value = 0.000000

R2 = 0.928870 Adjusted R2 = 0.90432

10. DISCUSSION OF RESULT

T-test:- This is used to test for statistical significance of each independent variable. Using 5% level of significance to test our hypothesis, we can state that if the P.value of the t-statistics for any explanatory variable is less than 0.05, we can reject the null hypothesis and accept the alternate thereby concluding that the variable is statistically significant.

From our result, the p.value of non oil export revenue is 0.0006, this is less than 0.05 significance level. We can then reject our null hypothesis and accept the alternate and further conclude that non-oil Export is statistically significance in influencing economic growth and development. This means that the positive relationship between non-oil export and economic growth and development in Nigeria is a significant one that can help move the country out of recession to a potential economic boom.

11. CONCLUSION

The contribution of non-oil export to the Nigerian economic growth and development over the years (1986-2015) has been declining dative to its level in the 1960s. Most policies and programs of government towards improving the non-oil sector of the economy either failed completely or partly in achieving its goals.

From the result of our study, we therefore concluded that non-oil export revenue adds positively to Nigeria's economic growth and development, and as such, efforts should be made to increase the tempo of economic activities in the non-oil sectors of the economy. We therefore hope that the result of our findings will be a source of consultations for policy makers and other related bodies in a bid to totally remove our country out its present recession.

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