

**RELATIVE CONTRIBUTIONS OF OIL AND NON-OIL SUBSECTORS TO
EXPORT TRADE IN NIGERIA**

BY

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SSC1608069

**DEPARTMENT OF ECONOMICS AND STATISTICS
FACULTY OF SOCIAL SCIENCES
UNIVERSITY OF BENIN
BENIN CITY**

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**BEING A RESEARCH WORK PRESENTED TO DEPARTMENT OF
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UNIVERSITY OF BENIN, BENIN CITY, EDO STATE NIGERIA IN PARTIAL
FULFILLMENT FOR THE AWARD OF BACHELOR OF SCIENCE (B.Sc.)
DEGREE IN ECONOMICS AND STATISTICS**

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CERTIFICATION

We the undersigned certified that this research work is an original work of the student which has been supervised approved and found adequate in scope and content for the award of Bachelor of science (B.Sc., Hons) degree in Economics and Statistics of the University of Benin

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DEDICATION

I dedicate this project in God Almighty, my creator, for the gift of life. And for wisdom, knowledge and understanding.

ACKNOWLEDGEMENT

I am most grateful to God almighty for his love and grace upon my life, for he has led me far beyond my expectation, and am indeed very grateful.

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ABSTRACT

The study empirically examined the relative contribution of oil and non-oil subsector to export trade in Nigeria. The Augmented Dickey Fuller unit root test was employed to test for the order of integration of the series. It was found to be stationary at first and second differences. Then the Johansen Co-integration technique was employed to determine if there is long run relationship between the dependent and independent variables of the model. Furthermore, the Vector Error Correction Mechanism technique (VECM) was used to estimate the regression coefficients and to correct for any disequilibrium between the short run and long run dynamics of the model. The short run and long run version of the model were specified. Results showed that, oil sector was correctly signed and was statistically significant. The study therefore recommends, among others, that proper and effectively outlined policy frameworks should be put in place by the government through the relevant agencies to ensure that non-oil sector is effectively managed and channeled towards contributing significantly to export in Nigeria. This will go a long way in ensuring that the contributions of oil to export in Nigeria is significantly reduced.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The utmost goal of the government of any nation is to accomplish a sustainable economic growth and development to the realization of macroeconomic objectives of equitable income distribution, price stability and favourable balance of trade and payment. Notwithstanding, a few nations favor import substitution strategy while others believe in export promotion strategy. Export trade Growth is said to be an economic development strategy wherein export expansion play a focal role in a country's economic growth. Although practical evidence which support export trade growth may not be universal, it is generally acknowledge that deliberately overseen receptiveness to trade through an export led growth can be a system for accomplishing rapid growth (Giles and Williams, 2000).

Economic theory has established that foreign export trade makes way for inflow of foreign capital into an economy (Ricardo, 1817). This is particularly so when the value of exported goods of such an economy surpasses that of the imported goods. Export trade is therefore required by an economy to boost income and usher in growth in the economy. Adenugba and Dipo (2013) attested that when the demand for exports is high, more output production is required, this along line creates more employment, raises national income and also achieve a favorable balance of trade and balance of payment position for

the exporting economy. This underlines the importance of exports in the growth of an economy.

During the pre-independence period, the contributions of the non-oil subsectors (Agriculture, industrial, manufacturing, service industry, and others) to export trade and Gross Domestic Product (GDP) outperformed every other sector in the economy. On attainment of political independence in 1960, the pattern was still particularly the same until 1970s when the oil sector took over because of overdependence on crude oil exportation. For example, In the 1960s, Nigeria was the world's biggest exporter of groundnut, the second biggest exporter of cocoa and palm produce, and occupied a prominent position in rubber, cotton, and hides and skin export (WB, 1975). In real terms, the country produced the following tones: 305,000, 800,000, and more than 1,000,000 of cocoa, palm oil and kernel, and groundnut respectively (CBN, 2000). As percentage share in total export, agricultural commodity export contributed roughly 71% before the 1970s and was the predominant earner of foreign trade used to pay for imported manufactured goods (Iyoha, 2002). In this manner, agricultural commodity export dominated the external sector accounting for about 77% of foreign exchange earnings in the first decade of independence. In the same time, the share of other non-oil subsectors including manufacturing, industry and services was 26.6% while the total portion of oil exports (oil sector) was 2.6% (Iyoha, 2002). In 1970, agricultural export crops like cocoa, groundnut, cotton, rubber, palm oil, palm kernel, and so on, accounted for just 33.1% of Nigeria's foreign exchange earnings and the share of other non-oil sector was just 8.7%, while the

share of petroleum export soar to 58.2%. In a similar manner, 1974 marked the subsidence of the agricultural and other non-oil subsectors, contributing just 5.4% and 1.9% separately. However, oil sector took predominance from the agricultural sector by contributing a total share of 92.7% to export earnings. Subsequently, Nigeria was adjudged the sixth largest exporter of crude petroleum in the world with the USA as her greatest trade accomplice. Crude oil export accounts for the greatest revenue earner for the country. The reliance of the crude oil revenue is enhanced by the usual budgetary estimates based on the forecast from the expected crude oil prices.

The Nigerian economy, like other oil exporting countries, is constantly exposed to oil price shocks since oil contributes over 90% of the total revenue. However, the discovery of crude oil in abundance, the boom in the oil market and the relative high price enjoyed by the product made the country to totally rely on the oil sector as the chief source of foreign earnings and abandon all other sectors that contributed to foreign earnings for the economy. This is a classic example of what economic scholars referred to as the “Dutch disease” a scenario where a natural resource boom triggers a process of de-industrialization (Bature, 2012). The adverse consequences of over dependency on oil trade heightened the need and call to diversify Nigerian economy away from oil towards the direction of non-oil export trade. Proponents of this increased proportion of non-oil export argue that the non-oil trade has great potentials to propel Nigerian economy to the desired growth and development. For instance, Onwualu (2012) maintains that the value chain approach to agriculture has the potentials to open up the economy and generate

various activities which are capable of creating jobs and enhancing industrialization and thus makes the non-oil sub-sector in Nigeria to hold the aces for future export trade and sustainable economic growth.

The de-industrialization activated likewise made Nigeria a consumer of goods and an import-dependent economy as it cannot internally produce enough consumer goods due to neglect of the industrial sector. Enoma and Isedu (2011) pointed out that Nigeria, since the 1970s has been a mono-cultural economy relying heavily on oil as its major source of revenue. The implication of this is that the dynamics of the economy is at the vagaries of the price of oil, which for the most part, has been volatile. Omjimate and Akpolodje (2010) also stated that the reliance of Nigeria on crude oil exports has serious implications for the Nigerian economy since the oil market is profoundly an unstable one. For instance, being dependent on the export of crude oil, the Nigerian economy is subject to the vicissitudes and vagaries of the international oil market such that international oil price shocks will immediately be felt in the domestic economy. Imoughele and Ismaila (2015) noticed that expanding non-oil export to get rid of one-product economy has been known as a solution for economic development in oil producing countries of which Nigeria is one and also the sixth largest oil producing and exporting country in the world.

Since 70's, till the present moment, oil has been assuming the leading role in the Nigeria economy being the major source of foreign exchange. The over reliance of the country on oil was manifested in the inability of the country to manage her economy as a result of

fall in the price of oil globally towards the end of 2015 which currently drive Nigeria economy into recession according to report. Therefore, not only that export trade is important for the survival of an economy but also the composition of exports is of paramount important.

Nonetheless, in spite government's different endeavours to grow the non-oil sectors, the growth performance of Nigeria's non-oil exports is perceived to have been very slow while crude oil is seen as the major export because of the large revenue it generates. Therefore, this research aims to determine the relative and significant contributions of oil and non-oil subsectors to export trade and Gross Domestic Product (GDP) of the Nigerian economy. It also aims to determine the factors liable for the current performance of the non-oil sector.

1.2 Statements of problem

Unarguably, agriculture and other non-oil subsectors were the major export base of Nigeria in the 60s. However, in the 1970s to date, the oil sector took over the wheel of exchange of the economy and contributed relatively higher than the non-oil subsectors. Therefore, Nigeria was adjudged to be suffering from a syndrome known as the "Dutch Disease". In addition to the foregoing, Nigeria became mono cultural economy, relying heavily on earnings from crude oil export for the growth of the economy. The oil sector is known to contribute more than 90% of export earnings to Nigeria (Onodugo, Marius, & Oluchukwu, 2013). More so they affirmed that the oil export earnings are concentrated in

the hands of less than one percent of the Nigerian population dominated by expatriates and members of the political class who control production and the proceeds respectively. Worse still, the sector is disconnected from other tiers and sectors of the economy and thus offers little or no linkage and multiplier effect to the economy as a whole. Akeem (2011) stated that this mono-culture situation has brought untold hardship on the people of the country. The Nigerian economy swung from the “oil boom era”, as exemplified by the buoyant economy of the period with massive infrastructural development, and the neglect of the non-oil exports productive base to the “oil doom” period which arose from oil glut in the world oil market in 1981.

One major problem with the over reliance on oil export is the fact that its price often fluctuates, its therefore volatile. This implies that the dynamics of the Nigerian economy is at the vagaries of the price of oil (Enoma & Isedu, 2011). This means that any structural distortion in the foreign economies capable of causing change in oil price directly affects Nigerian economy. A classic example is what is presently happening to the Nigerian economy characterized by a fall in export trade (exchange earning), a fall in GDP, depletion of external reserve, scarcity of foreign exchange, and high cost of goods(inflation) as we are also a heavily import dependent economy. This was all as a result of the sudden fall in international oil price.

In light of this, the government adopted various strategies to boost non-oil exports and stabilize the economy. In spite of these efforts, the performance and contribution of the

non-oil exports sector has remained very low. The sector has continued to perform below its full potential. This research is therefore carried out to determine to what extent the diversification of the economy will help enhance export trade and economic progress, to appraise the past efforts at diversification and to discover how the current performance of the non-oil sectors can be improved.

1.3 Objectives of the Study

The main objective of the study is to examine the relative contributions of oil and non-oil subsectors to export trade in Nigeria, while the specific objective are follows;

- i. To determine whether non-oil subsectors contribute significantly to export trade.
- ii. To examine the extent of oil contribution to export trade.

1.4 Research Questions

- i. Does non-oil subsectors contribute significantly to export trade in Nigeria?
- ii. To what extent does oil export contribute to export trade in Nigeria?

1.5 Research Hypotheses:

In pursuance of the objectives of the study, the following hypotheses are imperative;

Ho: Non-oil sector has no significant contribution to export trade in Nigeria

H1: Oil sector has a significant contribution to export trade in Nigeria.

1.6 Justification of the Study

This study is important because adequate understanding of the contributions of each sector including petroleum and non-oil subsectors including agriculture, manufacturing, industry and service sector to export trade and economic growth will help the government relate policy thrust, geared towards prioritizing export promotion in their objectives, and as well decide whether diversification is the solution to export trade promotion and economic growth. Findings in this study will also help other economic thinkers and scholars have a clear cut idea as to what constraint does export market of single commodity have on the economy.

1.7 Scope of the Study

This study seeks to empirically analyze the relative contributions of oil and non-oil subsectors on export trade in Nigeria using data for the period of 1981 - 2019. The choice of this period is formed based on the structural transformation policies put in place by the government during the periods. Data requirements for the study shall be obtained purely through secondary data. Such data include the various publications of the Central Bank of Nigeria (CBN), World Development Indicators (WDI), conference paper, journals etc. The dependent variable for this research work is export trade, while the independent variables are oil and non-oil subsectors

1.8 Limitation of the Study

The major challenge faced in this study was the difficulty in sourcing for accurate and reliable data. This study was able to surmount this problem by relying on published data from Central Bank of Nigeria (CBN) and World Development Indicators (WDI). Thus, data were obtained from Central Bank of Nigeria (CBN) Statistical Bulletin and Annual Reports and Statement of Accounts and WDI's repository of information.

1.9 Organization of the Study

This study is divided into five (5) chapters. Chapter one contains the introduction of the study while Chapter two is the review of relevant literature, chapter three examines the research method adopted and specification of the appropriate models, while chapter four focuses on presentation and analysis of results. Chapter five summarizes the entire study and also brings out the conclusions and policy recommendations

CHAPTER TWO

REVIEW OF LITERATURE

2.1 Conceptual Literature

2.1.1 Exports and growth

Since the late 1960s studies have been conducted to examine the role of export performance in the economic growth process. Although the empirical literature can be considered to be vast, its results are clearly contradictory for both DCs and industrialized economies, a feature that could explain why this topic is still at the top of the agenda for many economists. According to the so-called new orthodoxy, most authors as well as multilateral institutions would agree that promoting exports and achieving export expansion are beneficial for both developed and DCs for many reasons, including the following (i) they generate a greater capacity utilization; (ii) they take advantage of economies of scale; (iii) they bring about technological progress; (iv) they create employment and increase labour productivity; (v) they improve allocation of scarce resources throughout the economy; (vi) they relax the current account pressures for foreign capital goods by increasing the country's external earnings and attracting foreign investment; and (vii) they increase the TFP and consequently the well-being of the country (World Bank, 1993).

2.1.2 Non Oil Exports and Non-oil Sector

Non oil exports are those commodities excluding crude oil (petroleum products), which are sold in the international market for the purpose of revenue generation. 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 (Akeem, 2011). The non-oil export products are unlimited as they include agricultural crops, manufacturing goods, solid minerals, entertainment and tourism services etc. (Abogan, Akinola, &Baruwa, 2014).

Akeem (2011) defined the non oil sector of the Nigerian economy as 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. This definition is sufficient for the purpose of this study.

2.1.3 Oil Exports and Oil Sector

Crude oil is a naturally occurring, unrefined petroleum product composed of hydrocarbon deposits and other organic materials. A type of fossil fuel, crude oil can be refined to produce usable products such as gasoline, diesel and various forms of petrochemicals. It is a nonrenewable resource, which means that it can't be replaced naturally at the rate we consume it and is therefore a limited resource. Crude oil is typically obtained through

drilling, where it is usually found alongside other resources, such as natural gas (which is lighter, and therefore sits above the crude oil) and saline water (which is denser, and sinks below). It is then refined and processed into a variety of forms, such as gasoline, kerosene and asphalt, and sold to consumers (Investopedia, 2018).

Shell-BP in the pursuit of commercially available petroleum found oil in Oloibiri, Nigeria in 1956. But after nearly 50 years searching for oil in the country, the Shell-BP first oil field began production in 1958. Other important oil wells discovered during the period were Afam and Bomu in Ogoni territory. Production of crude oil began in 1957 and in 1960, a total of 847,000 tonnes of crude oil was exported. Towards the end of the 1950s, non-British firms were granted license to explore for oil: Mobil in 1955, Tenneco in 1960, Gulf Oil and later Chevron in 1961, Agip in 1962, and Elf in 1962. Prior to the discovery of oil, Nigeria (like many other African countries) strongly relied on agricultural exports to other countries to supply their economy. Many Nigerians thought the developers were looking for palm oil (Wikipedia, 2018).

The oil boom of the 1970s led Nigeria to neglect its strong agricultural and light manufacturing bases in favour of an unhealthy dependence on crude oil. In 2000 oil and gas exports accounted for more than 98% of export earnings and about 83% of federal government revenue. Nigeria's proven oil reserves are estimated to be 35 billion barrels; natural gas reserves are well over 100 trillion ft (2,800 km) (Gbadebo, 2008). Nigeria is a member of the Organization of Petroleum Exporting Countries (OPEC), and in mid -

2001 its crude oil production was averaging around 2.2 million barrels (350,000mi) per day (Gbadebo, 2008).

2.1.4 Potentials, roles and contributions of Oil sector in Nigeria

The extractive sector in the Nigerian economy is large and extensive, with oil playing a dominant role. With nearly 37.2 billion barrels in reserves and 2.13% of global production, Nigeria has the world's tenth largest proven reserves (3.1% of global reserves), and is among the top 10 oil producers. Since the discovery and production of oil Nigeria in 1958, the subsector has continued to play a major and dominant role in the Nigerian economy. In terms of output production and product contribution, oil witnessed steady progress throughout the period under consideration. Crude oil production increased from 1.9 million barrels in 1958 to 395.8million barrels in 1970 (see Table 1). Production of oil declined sharply in 1967 and 1968 as a result of the civil war. However, production increased from 395million barrels in 1970 to 823.3mb in 1974 and fell again to 696.3mb in 1978. The increase in production witnessed during this period was precipitated by Middle East crisis and the 1973/74 oil embargo which caused a sharp reduction in world oil supply. The increased oil prices that the crisis generated helped to boost local oil production in the country. However, this was short-lived as the early 80s witnessed a glut in the international crude oil market owing to over-supply, which culminated in sharp drop in prices and eventual reduction in the production quotas by OPEC member countries.

Consequently, oil production in Nigeria dropped from 760.1 million barrels in 1980 to 535.9 and 482.9 million barrels in 1986 and 1987 respectively. The situation improved in the 90s as crude oil output rose from 482.9 million barrels in 1987 to 711.3, 740.2 and 772.9 million barrels in 1992, 1996 and 1998 respectively. The trend continued between the year 2000 and 2009. The cumulative crude oil production for the country increased from 20,575,881 million barrels in 2000 to 27,052, 0677 million barrels in the 2009. In general, crude oil production witnessed appreciable increase over the period under study.

The contribution of a product or sector to the national economy can be measured by its size in the GDP. The contribution of oil to the GDP in Nigeria increased steadily over the study period. As evidenced in Table 2 below, oil accounted for an average of 1.60 per cent of the GDP between 1960 - 1969. The share of oil in the GDP increased from 9.97 per cent in 1970 to 20.42 per cent in 1975. The share increased to 38.87 per cent in 2005. The share of oil in the GDP decreased marginally to 37.44 per cent in 2009. Two main reasons can be offered for the increasing share of oil in GDP. The first is the discovery of oil in large quantity since early 70s which led to massive oil production and export. The huge revenues from oil led to massive rural urban migration and the neglect of agriculture. The second reason is the natural tendency for share of agricultural sector to fall while non-agricultural sector increases as the economy develops. This trend is as dictated by Engel's law.

Aside from the increased share of oil in GDP between 1960 and 2009, total oil exports increased phenomenally over the period. As shown in Table1, total oil exports in 1961 was N22.66 million. The amount increased to N13, 306.9 million in 1980. Oil exports value decelerated in the early 80s to reach a trough of N10, 993.7 million in 1986 owing to the general economic depression in the industrial nations and increased efficiency in energy use among other factors. However, the value of oil export assumed an upward trend in the 1990s. It increased from N106,626.5 million in 1990 to N1,920,900.4 million, N7,140,578.9 million and N8,110,500.2 million in 2000, 2005 and 2007 respectively.

As Table1 shows, the share of oil export in total exports in Nigeria increased from mere 6.65 per cent in 1961 to 96.03 per cent and 98.53 per cent in 1990 and 2005 respectively. The Figure decreased marginally to 96.73 per cent in 2007 following the deliberate government efforts at promoting non-oil exports in the country. The high dependence on oil exports clearly shows that Nigeria is a monoculture economy. The country's non-oil exports were remarkably small. The share of non-oil exports in the total exports was consistently less than 5 per cent over the period 1980-2009. No doubt, this has had a lot of dire consequences on the growth and development of the economy. If the export sector had been more diversified, the impact of the fluctuations in the international petroleum markets on the economy would have been minimal.

Sequel to high dependence on oil exports, the share of oil revenue in federally collected revenue increased phenomenally over the study period. It increased from 26.3 per cent in

1970 to 85.8 per cent in 2005. The percentage dropped to 78.7 per cent in 2009 reflecting the increasing emphasis by government on non-oil exports since mid-2000. The major implication of high government dependence on oil revenues was the fluctuation of government revenues in reflection of the value of oil exports in the country. This actually explains why government expenditure increased when the economy experienced boom and dropped when the economy slumped. In other word, government's fiscal policy became pro-cyclical. Hence, government spending tends to exacerbate the ripples of oil shocks on the economy.

Another major area through which oil industry contributes to the Nigerian economy is in the attraction of FDI. Nigeria has attracted a lot of FDI particularly into the oil sector over the years and given the huge and bright potentials of this sector, it is likely that more new investments and reinvestments will be attracted. Several other channels through which oil has contributed to the Nigerian economy include provision of cheap and readily available source of energy, boosting of the foreign reserves and provision of employment (Odularo, 2008).

However, critics have contended that the direct effect of oil sector activity on non-oil growth in Nigeria is rather limited. It is argued that the oil sector being an enclave sector has very little linkages with the other sectors in the economy. The oil sector does not offer much opportunity for employment in Nigeria because it is more capital than labor intensive industry. This is the reason why the significant expansion of the sector over the

years has not led to a similar increase in job creation. Indeed at present, total level of employment in the Nigerian oil industry (including employment by ancillary firms) as a percentage of total modern sectors' employment in the country currently stands at 1.3 per cent. This is extremely low when viewed in terms of the size of the sector. Moreover, oil-related outflows including imports of capital equipments, income repatriated to foreign investors and amortization of FDI liabilities have been highly substantial in the country.

Besides, it is contended that the high dependence of the country on oil has posed significant challenges to formulation and implementation of economic policies in the economy. As global price changes are difficult to be fully addressed by domestic macroeconomic policies; the oil price volatility has induced macroeconomic challenges in the economy. As an illustration, whenever there is a fall in the price of oil, counter-cyclical fiscal action is constrained due to lack of other sources of revenue. Oil price changes often make the exchange rate volatile thereby encouraging undue short-term capital flows. More often than not, government action to mitigate this volatility often results in pro-cyclical monetary stance. In general, as a result of the limited capacity of small non-oil sector in counteracting swings in oil prices in response to policy actions, the effectiveness of macroeconomic policy is often constrained.

Year	Annual Total Oil Produced (million barrels)	Annual Total Oil Export (million barrels)	Value of Annual Total Oil Export (#billion)	(%) Share of Oil in Total Export	Total Federally Collected Revenue (#bn)	Oil Revenue (#m)	(%) Share of Oil in Total Revenue
1958	1.9	1.8	0.002	0.65	NA	NA	NA
1959	4.1	3.9	0.005	1.83	0.4	113	28.3
1960	6.4	6.3	0.008	2.7	0.4	113	28.3
1970	395.8	383.5	0.5	73.7	0.6	167	26.3
1974	823.3	759.8	5.3	92.6	4.5	3,724	82.1
1978	696.3	674.1	9.6	93.5	7.4	4,556	61.8
1979	845.5	807.7	11.8	96.0	10.9	8,881	81.4
1980	760.1	469.1	13.3	96.8	15.2	12,354	81.1
1986	535.9	486.6	10.9	95.3	12.3	8,107	65.9
1987	482.9	437.4	29.4	90.1	25.1	19,027	75.9
1989	626.7	558.4	95.9	93.3	53.9	39,131	72.5
1990	660.6	548.3	106.6	96.2	98.1	55,216	80.5
1991	689.9	585.8	116.9	96.2	100.9	60,316	76.7
1992	711.3	604.3	201.4	97.9	190.5	115,392	83.2
1993	695.4	563.6	213.8	97.7	192.8	106,192	76.4
1994	696.2	579.7	200.7	97.4	201.9	160,192	79.3
1995	715.4	616.9	927.6	97.6	459.9	324,548	70.6
1996	740.2	648.7	1286.2	98.2	523.6	369,190	71.0
1997	759.7	673.4	1212.5	97.8	582.8	416,811	71.5
2000	828.3	785.2	1,920.90	98.7	1,906.2	1,340,000	70.3
2002	725.9	647.5	1,649.45	94.6	1,731.8	1,230,900	71.1
2005	923.5	802.9	7,140.58	98.5	5,547.5	4,762,400	85.8
2007	880	794.4	8,110.50	97.6	5,727.5	6,700,000	116.9

Sources: Adapted from Iyoha (2003)

CBN, Annual Report and Statement of Accounts & Statistical Bulletin.

Table 2: Oil and non-oil components of Nigeria's GDP, 1960 -1998					
Year	Oil GDP (#million)	% share of Oil GDP	Non-Oil GDP (#million)	% share of Non-Oil GDP	Agric GDP (#million)
1960-69	428.8	1.60	26,371.2	98.40	15731.6 (58.7)
1970	518	9.97	4686.1	90.03	2,319.4 (44.56)
1971	964.2	14.67	56065	85.33	2759.7 9(42.00)
1975	4278.4	20.42	16478.6	79.58	5354.7 (25.55)
1979	10687.7	25.46	31287.0	74.54	9233.1 (22.0)
1980	14137.4	29.13	34401.2	70.87	6608.3 (13.61)
1981	10219.8	20.25	40236.9	79.75	13580.3 (26.91)
1986	9828.1	13.63	62300.2	86.37	27887.5 (38.66)
1990	86188.0	33.42	171685.0	66.58	84344.6 (32.71)
1995	792370	40.41	1168319.1	59.59	619810.0 (31.61)
1998	759325	27.90	1926185.0	72.10	1060758.5 (38.98)

Sources: Adapted from Iyoha (2003)

2.1.5 Potentials, roles and contributions of Non-oil sector in Nigeria

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 (2001), non-oil export products can be broadly classified into three major groups. These include: The agricultural commodities and products, the solid mineral export products and the craft and manufactured export products.

However, a study adapted from Onwualu (2012) subcategorized the non-oil sector into twelve groups as presented in the table below:

S/N	ECONOMIIC GROUP	DESCRIPTION OF ACTIVITIES
1	Agriculture	Cultivating, harvesting, handling, processing, storage, distribution of various crops (cocoa, oil palm, sesame seeds, groundnut, maize), rearing, processing and distribution of livestock, fishery and domesticated animals.
2.	Manufacturing	Various activities in the ten sectors of MAN: Production, packaging, distribution lines, marketing, export line, etc.
3.	Environmental Services	Cleaning of offices and homes, urban waste collection

		and recycling, street cleaning, energy generation from waste, etc.
4.	Building and Construction	Metal works, supplies of building materials, block and roofing works, plumbing and electrical, finishing (tiling, paintings, decorations, gardening, etc.)
5	Health Activities	Hospitals, Pharmacies, pharmaceutical industries, drug supplies, accessory services (equipment maintenance, equipment supplies, etc.)
6	Mineral Activities	Exploration, mining , processing , marketing, mineral testing, transportation, etc.
7	Power	Power generation and distribution, meter reading, production and supply of electrical accessories, installations, maintenance, renewable energy investments(solar, wind and hydro) etc.
8	Telecommunication Services	Telecommunication engineering services, installations, telephone wholesale and retail services, marketing services, etc.
9	Financial Sector	Banking, insurance, installation maintenance , marketing services, transportation, etc.
10	ICT	Business centers, corporate communication, defense

		and security communication, installations and maintenance, satellite services, internet services etc.
11	Wholesale and Retail	Warehouses, major distributors, supermarkets, corner shops, kiosks, open market shops, various forms of retail (mobile trading, internet trading etc.)
12	R&D Activities	Contract R&D, market driven R&D, R&D management (commercialization of R&D results, linkage management, fund sourcing consultancy etc.

Source: Adapted from Onwualu (2012).

The potentials of the sector are great as shown in the table above. For instance, Nigeria has established itself as the largest telecom market in Africa, the tourism industry had an expansive capacity in terms of revenue and employment generation valued in excess of N1tn and it is currently generating about N150bn yearly, with 300,000 workers in its employ (Alabi, 2011). Direct employment in the non-oil export companies alone is estimated at about 200,000 while indirect employment in the agriculture sector which gains from the market linkages provided by the exporting companies is estimated at over ten million(Udoh, 2012).

2.1.5.1 The performance of Nigerian non - oil sector under different policy regimes

The Nigerian Government has displayed determination over the years to grow the non-oil sector of the economy by putting in place supportive policies and incentives. These

policies have been targeted at encouraging the diversification of the economy. These policies can be categorized into three, namely: Protectionism policy, Trade liberalization policy and Export promotion policy. To evaluate the growth pattern of the non-oil sector, it is necessary to look at how the non-oil sector has performed under these policy regimes and how they have contributed to export trade.

i. Protectionism policy era

In the early 1960s and late 1970s, agricultural production was encouraged by the removal of agricultural export and sales taxes and by the increased tariffs on agricultural imports. Agricultural inputs, particularly fertilizers, were subsidized. By 1982, all exports, except cotton and all food crops were positively protected (Oyejide, A. 1986). The Pre – SAP era featured an era of import substitution industrialization. The policies under the era was aimed at expanding the industrialization-base, enhancement of cash crop exports, encouraging farmers to expand their farms and increase the production of cash crops with guaranteed external markets by the marketing boards, adjustment in the demands for foreign exchange, introduction of trade barriers (regulation of import licensing and import tariffs) to control imports. The ultimate goal was to protect domestic industries that were set up to produce import substitutes. The customs tariff structure was deliberately discriminatory, biased in favour of capital goods and raw materials. Items considered as luxury goods were either put on import prohibition list or had very high import tariffs placed on them. Protectionism ended in 1974 with the removal of

restrictions on import. By the Third National Development Plan (1981 – 1985) trade policies were relaxed due to falling oil revenue and decline in foreign exchange.

ii. Trade liberalization policy era

Trade policies since 1986 have been aimed at liberalization of the economy as well as achievement of greater openness and greater integration with the world economy. The policies thus ranged from abolition of marketing boards, to introduction of the second tier foreign exchange market (SFEM), various export expansion incentive schemes, establishment of the Nigeria Export- Import Bank etc. Thus, in July, 1986, the Structural Adjustment Programme (SAP) was introduced to tackle the problem of imbalances in the economy and thereby pave way for stable growth and development. The Export Incentive and Miscellaneous Provisions Decree of 1986 were promulgated to encourage exports. As a result of the various policy supports, significant growth was experienced in the agricultural, telecommunication and business sectors (Analogbei, 2000).

iii. Export promotion policy era

The restoration of democracy from 1999 witnessed a rapid transformation of the non-oil sector, following intensified policy support to SMEs to enhance the export of their products. In all considerations, current government policies are aimed at facilitating the diversification of the economy. One of the incentive policies in this regard has been the Export Expansion Grant (EEG) Scheme, which operates under the legal context provided

under the Export (Incentives and Miscellaneous Provisions) Act 1986. The export grant is given to exporters to cushion the impact of infrastructural disadvantages faced by Nigerian exporters and make our exports competitive in the international market. No incentive has been as effective as the EEG in encouraging exports in the non-oil sector (Adeloye, 2012). The Nigerian Export Promotion Council (NEPC) is responsible for the administration of the policy. Realizing the importance of the policy in promoting non-oil exports, government subjected the EEG policy to reform in 2006 with technical assistance from international consultants, Price Water House Coopers.

The scheme was streamlined to make it more effective by categorizing export products according to their degree of value addition and processing and rewarding those companies which generate higher export growth and new investment in export capacity building (Adeloye, 2012)

Consequent upon these reforms, informed industry position put it that the growth in non-oil exports from \$1billion in 2006 to \$2.3billion in 2010. Following the EEG policy emphasis on value addition, exporting companies embarked on forward integration and made heavy investment in plant and machinery to add value to indigenous commodities. There have been a clear shift towards export of processed and value added products (Adeloye, 2012).

Cocoa Export : Decades ago, Nigeria was known to be an exporter of raw cocoa, but now, Nigeria exports cocoa products, such as cocoa cake, cocoa liquor, cocoa butter and cocoa

powder (Adeloye, 2012). Leather Export: The country banned the export of wet blue (leather in semi-finished stage) almost a decade ago, which led to huge investment in tanneries to export finished leather and recently, articles of leather (Adeloye, 2012).

Cashew Export: From an exporter of raw cashew, Nigeria now exports processed cashew.

Sesame Seed Export: Nigerian de-hulled sesame seeds are now being exported to Japan.

Seafood Export: The industrial trawling industry invested in highly capital intensive trawlers for onboard processing of wild shrimps and cold chain to embark on export of highly perishable products. Innovative Exports: One of the most innovative stories has been the export of re-cycled polyester fiber produced in the most environmentally sustainable manner as a result of which Nigeria has become the largest exporter of polyester staple fiber in Africa, destined for European market. The re-cycling fiber plant in Lagos, according to the NEPC, provides direct and indirect employment to 2,000 Nigerians (Adeloye, 2012).

Table 2 shows that the total annual non-oil export increased from #249.9m in 1960 to #257.4m in 196, the percentage share of non-oil to total export in the first period was 97.4% , where agriculture contributed a lion share of 70.8% while the remaining 26.6% is the contribution made by other non-oil sector including manufacturing.

As at 1960, the total federally collected revenue was approximately #400m and the share of non-oil was #270m. However, the percentage contribution of non-oil in total export fell dramatically from 78.3% to 2.4% in 1997. Between 1961 and 1980, the percentage

contribution of non-oil export to GDP fell dramatically from 99.1% to 70.87%. By the year 2005, the figure rose again to 85.8%. The percentage contribution of non-oil to export nosedived from 93.3% from 1961 to 3.27% in 2009 (CBN, 2012).

Table 2. Contribution of Non-Oil Sector to the Nigerian Economy, 1960-2009

Year	Non-Oil Subsectors Share in Output				Value of Annual Total Non-Oil Export (#m)	(% Share of Non-Oil in Total Export)		Share of Non-Oil from Total Fed. Revenue (#bn)	(% Share of Non-Oil from Total Fed. Revenue)
	Agric-Sector	Industrial-Sector	Manufacturing-Sector	Services Sector		Agric-Sector	Other Non-Oil Sector Including Manufacturing		
1960	63.85	7.68	3.81	28.47	249.9	70.8	26.6	NA	64.8
1961	61.83	8.29	4.10	29.88	257.4	69.2	9.1	0.27	65.9
1965	54.90	12.47	5.43	32.64	407.8	43.7	21.3	0.39	70.2
1970	41.28	13.76	3.67	44.95	375.4	33.1	8.7	0.47	73.7
1971	40.04	17.34	3.38	42.61	340.3	19.7	6.5	0.66	56.4
1979	28.65	37.82	8.79	33.52	670.0	4.8	1.4	2.03	18.6
1980	20.63	45.57	8.38	33.80	554.6	2.5	1.4	2.88	18.9
1981	26.91	37.58	91.8	35.51	342.8	1.8	1.3	4.73	29.7
1985	37.31	29.18	8.74	33.51	324.2	1.9	1.0	4.13	25.2
1990	32.71	41.37	5.54	25.92	2,583.3	1.3	1.6	26.22	19.5
1991	30.43	45.57	5.90	24.00	4,082.4	2.3	1.7	18.33	23.3
1993	24.16	58.65	4.00	17.18	5022.3	0.6	1.7	30.67	23.6
1994	28.57	50.24	4.94	21.19	5389.0	1.4	1.3	41.72	20.7
1995	31.61	46.68	5.36	21.71	20,102.8	1.5	1.2	135.49	29.4
1997	32.72	46.85	4.77	20.43	29.1633	1.2	1.2	166	28.5

Sources: Adapted from Iyoha (2003)

CBN, Annual Report and Statement of Accounts & Statistical Bulletin.

2.2 Theoretical Literature

The theoretical literature of this study is hinged on the international trade theories in economics. These theories include the theory of absolute advantage, the theory of comparative advantage and the Heckscher-Ohlin Theory. They are discussed further below.

2.2.1 Theory of Absolute Advantage

This theory was propounded by Adam Smith in his 1776 publication, *An Inquiry into the Nature and Causes of the Wealth of Nations*. This theory uses a two by two model, i.e. there are two countries involved in the trading of two commodities and using only two factors of production; labour and capital. The theory says that a country should export products in which it is more productive than other countries: that is, goods for which it can produce more output per unit of input than others can (i.e. in which it has an absolute advantage) while importing those goods where it is less productive than other countries (i.e. in which it has an absolute disadvantage) (Dunn & Mutti, 2004).

Absolute advantage means the ability of a country to produce a larger quantity of a good with the same amount of resources as another country. The country's absolute advantage may be due to the nature of its resources or to its production skills (Hoag & Hoag, 2006). According to Smith, each nation benefits by specializing in the production of the good that it produces at a lower cost than the other nation, while importing the good that it

produces at a higher cost. This will increase specialization, world output and the gains from trade (Carbaugh, 2004).

According to this theory, foreign trade is a positive-sum game, because both countries involved will benefit from the trade. Thus, a nation need not gain at the expense of other nations, as all nations could gain simultaneously (Sylvester & Aiyelabola, 2012). However, there arises the question of whether or not to trade when one of the two countries trading has an absolute advantage in the production of the two commodities. Should trade still take place when one partner can produce both commodities more efficiently than the other partner? The theory failed to answer this question satisfactorily and that gave rise to Ricardo's theory of Comparative Advantage.

2.2.2 Theory of Comparative Advantage

This theory was put forward by David Ricardo in 1817 because he was dissatisfied with the looseness in Smith's theory (Carbaugh, 2004). According to Ricardo's theory of comparative advantage, even if a nation has an absolute cost disadvantage in the production of both goods, there still exists a basis for mutually beneficial trade. The less efficient nation should specialize in the production and exportation of the good in which it is relatively less inefficient (where its absolute disadvantage is least) while the more efficient nation should specialize in the production and exportation of the good in which it is relatively more efficient (where its absolute advantage is greatest). This theory

proved to be better than Smith's absolute advantage theory because it is possible for a nation not to have an absolute advantage in anything but it is not possible for one nation to have a comparative advantage in everything and the other nation to have a comparative advantage in nothing. That is because comparative advantage depends on relative costs (Carbaugh, 2004).

2.2.3 The Heckscher – Ohlin Theory

In contemporary economics, the dominant model of comparative cost advantage is known as Heckscher – Ohlin model. As pointed out by Sodersten and Reed(1994), this is a theory of long term general equilibrium in which two factors of production – labour and capital – are both mobile between sectors. The Heckscher – Ohlin theory postulates that international trade – of which exports are expected to constitute the major component – will significantly reduce the gap between the rich and poor countries. [The theory contends that inter-country differences in factor endowments are the basis for foreign trade. Comparative cost advantage comes as a result of different factor intensities in the production of various commodities (Sodersten and Reed, 1994).

The Heckscher-Ohlin theory also implies that free trade specialization in production based on relative factor endowments will tend to bring about factor price equalization and thus will increase the returns to labour in poor countries to the levels in rich countries; this suggests that international trade in general and exports in particular have the ability to mitigate inequality in income and wealth distribution between and within nations as

well as the ability to bring about a convergence in absolute poverty incidence between the rich and poor countries (Ozughalu and Ajayi, 2004). The relationship between exports and economic growth has always been a hot issue and has often generated heated debate among economists and policy makers.

2.3 Empirical Literature

Many empirical studies exist in literature that establishes that export trade promotes economic growth. For instance, in the report given by Onayemi and Ishola (2009), elaborate historical studies have provided empirical validation of the view that growth performance is enhanced under export promotion. This is in line with earlier findings by Bhagwati (1978), and Papageorgious, Michaely and Choski (1991), each of whom had earlier reported that sustainable increase in income per capita is better achieved under export promotion policy.

The attempt at finding out the extent to which Nigerian export promotion strategies have been effective in diversifying the productive base of Nigeria led Onayemi and Ishola (2009) into revealing that non-oil export have performed below expectation under export promotion policy. This outcome supports the argument by Subasat (2002) that export promotion does not have any significant impact on economic growth of low income countries. This same result however contradicts Usman (2010) who discovered that an insignificant non-oil export and exchange rate would slow down economic growth given that non-oil export for previous year positively affects growth.

Olusi and Olagunju (2005), examined the prevalence of oil and non-oil export in Nigeria using quarterly data of variables of interest and adopting VAR model consisting of impulse response functions and variance decomposition analyses found evidence of Dutch disease in Nigerian economy, albeit, as a delayed occurrence. The duo recommends that Nigerian government should lay more emphasis on the agricultural sector hitherto not given deserved attention. Other studies for Nigeria (Abdullahi, 1981, Chukwuemeka and Nzewi, 2011, Sekumade, 2009) all found evidence of dutch disease and affirmed that agricultural sector was neglected during the oil boom era.

Monir, Ebrahim & Hamed (2012) examines the effects of oil and non-oil export on economic growth for the period 1973-2007. The study employed the use of the method of VAR (vector auto regressive) analysis in predicting the impact of the independent on the dependent variables. The proxy for the dependent variable is Real GDP, while the explanatory variables were real oil export and real non-oil export. The result of the analysis shows that real non-oil export and real oil export have positive impact on economic growth in Iran.

Aliyu (2011) in his empirical work using graphic descriptive statistics and the one-way analysis of variance technique, sought to know whether the neglect of non-oil subsectors especially agricultural sector was as a result of the discovery and exploitation of oil in Nigeria during the oil boom period of 1973-1983. The study found a significant increase in the quantity of capital expenditure allocated to agricultural sector during the oil boom

period and that more capital expenditure was allocated to agricultural sector than was allocated to either of health, education or defence sector in Nigeria during the period. He concludes by rejecting the hypothesis that the neglect of agricultural sector was as a result of oil boom.

Adebile & Amusan (2011) in their study examine the contribution of non-oil sector export to the Nigerian and in particular the contribution of cocoa export. Using the method of content analysis, it emphasizes the huge opportunities and advantages that are available in non-oil exports sector. Nigeria's dependence on the oil export as a major contributor to the country's GDP (gross domestic product) poses a threat to the continued sustenance of the GDP. The study also investigates the trend of cocoa beans export over some regime changes and found that inconsistent policies and inadequate attention given to the agricultural sector is not in the best interest of the country. It observes that investment in cocoa production is likely to boost the GDP and will also offer employment opportunities to the citizenry. It concludes that Nigeria's involvement in the non-oil export sector is a key to a realistic growth and sustainable development in Nigeria.

Onodugo et al. (2013) in their study investigates the specific impact of the non-oil exports to the economic growth in Nigeria using data between 1981 and 2012. The study adopted the Augmented Production Function (APF), employing the Endogenous Growth Model (EGM) in its analysis. The conventional tests for mean reversion and cointegration were employed. Findings reveal a very weak and infinitesimal impact of non-oil export in

influencing rate of change in level of economic growth in Nigeria. The study, apart from empirically providing information that has failed to give backing to recent claims of non-oil exports led growth in Nigeria, has also set a data benchmark for appraisal of possible improvements in future performances of non-oil export trade, with respect to its contributions to the growth of the Nigerian economy.

Adesoji & Sotubo (2013) in their study evaluates the performance of Nigeria's export promotion strategies to see if it has been able to enhance the diversification of the Nigeria economy away from the oil sector. The period of this study runs from 1981 to 2010. The researchers employed the methods of ordinary least square and correlation matrix for data analysis. Findings from the study reveal that non-oil exports have performed below expectations giving reason to doubt the effectiveness of the export promotion programs that has been adopted by the country. The study reveals that the economy of Nigeria is still far from diversifying from crude oil export and as such, the crude oil sub-sector continues to be the single most important sector of the economy.

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.

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.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Theoretical Framework

The theoretical framework of this study is hinged on Adam Smith international trade and Export led Growth model. Adam Smith's model of economic growth is more or less available in the different parts of Smith's well reputed book "*Wealth of Nations*" written in 1776. This model primarily deals with capitalistic economies and their process of economic growth. In other words, this theory of economic growth portrays that process which enabled the developed and the rich nations of the world to attain economic growth.

The classical economics is based upon 'Labor Theory of Value' which states that labor is the only factor of production and the costs of production entirely depend upon labor costs. But Adam Smith includes land, capital and natural resources in addition to labor (because growth is a long run phenomenon) in the production function. Thus Smith's production function shows that the production of the economy depends upon labor, capital and natural resources. It is as:

$$Y = f(L, K, N)$$

Where Y = national product, K = capital, L = labor and N = natural resources.

The Smith's production function is not subject to diminishing returns, rather it is subject to increasing returns. Smith says that as that:

Production increases the economies of scale are attained, both internal as well as external. The market will be extended and real costs of production will decrease. He says that due to economies of scale not only division of labor is permitted, but the improvement in machinery also takes place. He further says that the difference in productivity of labor in different nations is attributed to difference in degree of division of labor. Smith says that the division of labor is limited by the extent of market. And the size of market is affected by the amount of capital and institutional framework. He further says that the size of the market and productivity of labor are influenced by regulation of domestic and international trade. This is the reason that Smith was in favor of domestic and international division of labor and specialization.

3.2 Model Specification

The core purpose of the study is to investigate the relative contributions of oil and non-oil subsectors on export trade in Nigeria using data range from 1981 to 2019. The model is specified below as;

$$\text{EXPT} = F(\text{OEXP}, \text{INDT}, \text{AGRIC}, \text{EXR}) \dots\dots\dots\text{i}$$

In a linear function, it is represented as follows:

$$\text{EXPT} = \beta_0 + \beta_1\text{OILEXPT}_t + \beta_2\text{INDT}_t + \beta_3\text{AGRIC}_t + \beta_4\text{EXR}_t + \epsilon_t \dots\dots\dots\text{ii}$$

Where:

EXPT = Export Trade

OEXP = Oil Export

INDT= Industry output

AGRIC= Agricultural output

EXR = Official Exchange Rate

β_0 = Constant term, β_1 to β_4 = Regression coefficient and ϵ_t = Error Term

$\beta_0, \beta_1, \beta_2, \beta_3 > 0$ and $\beta_4 < 0$ a priori expectation

3.3 Method of Data Analysis

The time series econometric procedures will be used to examine the impacts of oil and non-oil exports on both trade and economic growth. There are four steps involved in estimating the relationships. The first step is to test the stationarity of the time series data using the method of the Augmented Dickey-Fuller unit root test. The principle behind the diagnostic test of stationarity and others is to ensure that the results of the regression analysis are not spurious.

After establishing their orders of integration, an examination of the time series data for the presence of a long run relationship among all variables in the model will be established using the Johansen cointegration test, proposed by Johansen (1991). Once the cointegration is confirmed in the model, the vector error correction model (VECM) will be estimated to check the degree of adjustment of the economy when there is a shock. This model will help us to establish the long and short run impact of oil and non-oil export on exports trade and economic growth. Lastly, the causality relationship between oil and non-oil export and economic growth will be analyzed using the Granger causality technique

3.4 Sources of Data

The data to be used in carry out this study would be time series data for the period 1981 – 2019 obtained mainly from secondary sources. Among these are Central Bank of Nigeria (CBN) statistical bulletin (various issues), World Development Indicators (WDI), The National Bureau of Statistic (NBS), Economic Journals, text book and published article in the subject matter.

YEAR	EXPT	OILEXPT	INDT	AGRIC	EXR
1981	11.02	10.68	54.13	17.05	0.617708175
1982	8.21	8.00	51.38	20.13	0.673461262
1983	7.50	7.20	52.45	23.80	0.724409851
1984	9.09	8.84	48.59	30.37	0.766527449
1985	11.72	11.22	60.90	34.24	0.893774083
1986	8.92	8.37	62.63	35.70	1.754523004
1987	30.36	28.21	78.35	50.29	4.016037344
1988	31.19	28.44	100.83	73.76	4.536966667
1989	57.97	55.02	144.69	88.26	7.364735
1990	109.89	106.63	172.72	106.63	8.038285
1991	121.54	116.86	215.11	123.24	9.909491667
1992	205.61	201.38	336.94	184.12	17.298425
1993	218.77	213.78	409.59	295.32	22.0654
1994	206.06	200.71	541.45	445.27	21.996
1995	950.66	927.57	931.10	790.14	21.89525833
1996	1,309.54	1,286.22	1,232.15	1,070.51	21.884425
1997	1,241.66	1,212.50	1,261.36	1,211.46	21.88605
1998	751.86	717.79	1,168.07	1,341.04	21.886
1999	1,188.97	1,169.48	1,440.31	1,426.97	92.3381
2000	1,945.72	1,920.90	2,239.63	1,508.41	101.6973333
2001	1,867.95	1,839.95	2,182.62	2,015.42	111.23125
2002	1,744.18	1,649.45	2,432.60	4,251.52	120.5781583
2003	3,087.89	2,993.11	3,211.19	4,585.93	129.22235
2004	4,602.78	4,489.47	4,391.70	4,935.26	132.888025
2005	7,246.53	7,140.58	5,591.36	6,032.33	131.2743333
2006	7,324.68	7,191.09	6,843.07	7,513.30	128.6516667
2007	8,309.76	8,110.50	7,679.74	8,551.98	125.8081083
2008	10,387.69	9,861.83	9,216.17	10,100.33	118.5666667
2009	8,606.32	8,105.46	9,008.26	11,625.44	148.88
2010	12,011.48	11,300.52	13,826.43	13,048.89	150.2975
2011	15,236.67	14,323.15	17,853.11	14,037.83	153.8625
2012	15,139.33	14,259.99	19,587.72	15,816.00	157.5
2013	15,262.01	14,131.84	20,853.85	16,816.55	157.3116667
2014	12,962.03	12,006.97	22,213.01	18,018.61	158.5526417
2015	8,845.16	8,184.48	19,188.58	19,636.97	192.4403333
2016	8,835.61	8,178.82	18,641.17	21,523.51	253.492
2017	13,988.14	12,913.24	25,639.90	23,952.55	305.7901092
2018	18,707.96	17,282.25	33,218.33	27,371.30	306.0836882
2019	19,909.75	16,702.73	39,879.69	31,904.14	306.9209515

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Unit Root Test

Augmented Dickey Fuller Test Result at level

VARIABLES	ADF TEST STATISTICS	ADF CRITICAL VALUE			ORDER OF INTEGRATION	REMARKS
		1% LEVEL	5% LEVEL	10% LEVEL		
EXPT	-3.101168	-4.284580	-3.562882	-3.215267	I(0)	STATIONARY
OILEXP	-3.279613	-4.284580	-3.562882	-3.215267	I(0)	STATIONARY
INDT	3.970829	-4.262735	-3.552973	-3.209642	I(0)	STATIONARY
AGRIC	4.262704	-4.219126	-3.533083	-3.198312	I(0)	STATIONARY
EXR	-2.079795	-4.226815	-3.536601	-3.200320	I(0)	NOT-STATIONARY

Source: Author's computation on Eviews10

Augmented Dickey Fuller Test Result at first difference

VARIABLES	ADF TEST STATISTICS	ADF CRITICAL VALUE			ORDER OF INTEGRATION	REMARKS
		1% LEVEL	5% LEVEL	10% LEVEL		
EXPT	-5.486376	-4.252879	-3.548490	-3.207094	I(1)	STATIONARY
OILEXP	-5.530844	-4.234972	-3.540328	-3.202445	I(1)	STATIONARY
INDT	-7.266408	-4.284580	-3.562882	-3.215267	I(2)	STATIONARY
AGRIC	-7.253250	-4.234972	-3.540328	-3.202445	I(2)	STATIONARY
EXR	-4.504584	-4.226815	-3.536601	-3.200320	I(1)	STATIONARY

Source: Author's computation on Eviews10

The Unit Root test is an econometric technique used to indicate whether or not a given variable is stationary over time.

From the result obtained above, it was observed that EXPT and OILEXP,INDT and AGRIC were stationary at level, while EXR was not stationary at level. EXPT, OILEXP and EXR were however found to be stationary at first difference, while INDT and AGRIC were stationary as second difference

4.2 Co-Integration Test

Given that the variables have been made stationary by taking the first difference, we then proceed to test for the possibility of long run relationships. Thus, variables are said to be co-integrated if they have a long run relationship. For this purpose, the Johansen Co-integration technique is applied. It makes use of two statistics for the decision rule. These are the Trace statistic and the Max-Eigen Value. For the first, if the Trace statistic is greater than the critical value at the given level of significance it implies that the variables are cointegrated. However, if the Trace statistic is less than the critical value at the given level of significance, we conclude that the variables are not cointegrated. Same decision rule applies to the Max-Eigen value with the critical values.

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.879436	180.1669	69.81889	0.0000
At most 1 *	0.720036	104.0064	47.85613	0.0000
At most 2 *	0.640639	58.17501	29.79707	0.0000
At most 3 *	0.445891	21.33165	15.49471	0.0059
At most 4	0.002149	0.077448	3.841466	0.7808
Trace test indicates 4 cointegrating eqn(s) at the 0.05 level * denotes rejection of the hypothesis at the 0.05 level **MacKinnon-Haug-Michelis (1999) p-values				
Unrestricted Cointegration Rank Test (Maximum Eigenvalue)				
Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None *	0.879436	76.16056	33.87687	0.0000
At most 1 *	0.720036	45.83137	27.58434	0.0001
At most 2 *	0.640639	36.84336	21.13162	0.0002
At most 3 *	0.445891	21.25421	14.26460	0.0034
At most 4	0.002149	0.077448	3.841466	0.7808
Max-eigenvalue test indicates 4 cointegrating eqn(s) at the 0.05 level * denotes rejection of the hypothesis at the 0.05 level **MacKinnon-Haug-Michelis (1999) p-values				

Source: Author's computation on Eviews10

The results of Johansen Co-integration test shows the estimated result of the long run relationship between the variables that is EXPT, OILEXPT, INDT, AGRIC and EXCHANGE RATE using the Johansen co-integration test. It was observed that the trace statistic in table above indicated 4 co-integrating equations at the 5% level of significance. Similarly, the maximum Eigen value statistic also indicates 4 co-integrating equation at the 5% level of significance. The results suggest that there is co-integration or long-run

relationship among the variables employed in this study. Since the variables are co-integrated, this satisfies the convergence property. Therefore, a vector error correction model is then presented to integrate both the long run and short run dynamics.

4.3 Vector Error Correction Estimate

Independent variables

Dependent variable::	D(EXPT)	D(OILEXPT)	D(INDT)	D(AGRIC)	D(EXR)
C	882.8935 [2.15367]	1025.653 [2.65997]	467.4296 [1.15184]	351.0262 [1.75286]	10.49953 [1.81042]
D(EXPT(-1))	-1.616035 [-0.59133]	-1.106700 [-0.43054]	3.355374 [1.24029]	-0.599405 [-0.44899]	0.009672 [0.25017]
D(OILEXPT(-1))	2.116828 [0.73548]	1.520735 [0.56175]	-3.168515 [-1.11210]	0.537750 [0.38247]	-0.016041 [-0.39395]
D(INDT(-1))	0.086784 [0.29652]	0.083121 [0.30195]	0.320808 [1.10731]	0.272232 [1.90412]	0.000950 [0.22934]
D(AGRIC(-1))	-0.951568 [-1.70257]	-1.213840 [-2.30903]	-0.168570 [-0.30468]	0.436692 [1.59947]	-0.001234 [-0.15603]
D(EXR(-1))	13.22490 [0.91666]	11.84756 [0.87307]	27.81057 [1.94729]	-0.518650 [-0.07359]	0.053122 [0.26027]
ECM CointEq1	-0.394203 [-3.44927]	-0.413500 [-3.84669]	-0.286943 [-2.53634]	-0.096339 [-1.72562]	-0.002048 [-1.26640]
R-squared	0.646338	0.644862	0.788755	0.780587	0.353543
Adj. R-squared	0.575605	0.573835	0.746506	0.736704	0.224251

Source: Author's computation on Eviews10

Error correction coefficient gives the speed of adjustment within which the model will restore its equilibrium following any disturbances. From the above output, it can be observed that the coefficient of ECT with EXPORT as dependent variable is negative and statistically significant, indicating that there is a convergence from short dynamics towards long run equilibrium, the adjustment coefficient was 39 percent. In the case of oil export, the adjustment coefficient is 0.41 percent and negative and statistically significant which indicates the significant adjustment towards long run equilibrium in any disequilibrium situation. In the case of industry and agriculture and exchange rate, they are statistically insignificant and negative with adjustment coefficient of 0.28, 0.9 and 0.002 respectively , which indicates that there is nos convergence from short dynamics towards long run equilibrium.

4.3.1 LONG RUN ESTIMATE

Dependent Variable: D(EXPT)

Method: Least Squares (Gauss-Newton / Marquardt steps)

Date: 07/08/21 Time: 22:29

Sample (adjusted): 1983 2019

Included observations: 37 after adjustments

$$D(EXPT) = C(1)*(EXPT(-1) - 0.877984783116*OILEXPT(-1) + 1.32902942916*INDT(-1) - 1.71333850592*AGRIC(-1) - 20.6551672261*EXR(-1) + 3026.0488527) + C(2)*D(EXPT(-1)) + C(3)*D(OILEXPT(-1)) + C(4)*D(INDT(-1)) + C(5)*D(AGRIC(-1)) + C(6)*D(EXR(-1)) + C(7)$$

	Coefficient	Std. Error	t-Statistic	Prob.
C(1)	-0.394203	0.114286	-3.449266	0.0017
C(2)	-1.616035	2.732891	-0.591328	0.5587
C(3)	2.116828	2.878174	0.735476	0.4678
C(4)	0.086784	0.292673	0.296522	0.7689
C(5)	-0.951568	0.558902	-1.702566	0.0990
C(6)	13.22490	14.42729	0.916659	0.3666
C(7)	882.8935	409.9480	2.153672	0.0394
R-squared	0.646338	Mean dependent var	537.8795	
Adjusted R-squared	0.575605	S.D. dependent var	1708.693	
S.E. of regression	1113.138	Akaike info criterion	17.03641	
Sum squared resid	37172301	Schwarz criterion	17.34118	
Log likelihood	-308.1736	Hannan-Quinn criter.	17.14386	
F-statistic	9.137776	Durbin-Watson stat	2.200564	
Prob(F-statistic)	0.000010			

Source: Author's computation on Eviews10

The long run coefficient C(1) is negative and significant which shows a long run causality between EXPORT, OILEXPORT, INDUSTRY OUTPUT, AGRICULTURE AND EXCHANCH RAT. Coefficient should have a negative sign showing the ability to

bounce back to equilibrium, the positive sign indicates movement away from equilibrium. Short run coefficient C(2), a percentage increase in itself (EXPORT) will lead to a decrease in export by 1.6 percent. C(3) a percentage increase in oil export will lead to a 2.1 percent increase in export.

In the case of C(4) and C(5), a percentage increase in industry output will lead to a 0.1 percent increase in export and a percentage increase in agriculture will lead to a 0.9 percent decrease in export respectively and in case of C(6) a percentage increase in exchange rate will lead to a 13.2percent increase in export. The adjusted R-squared 65%, F statistics is significant and the Durbin-Watson is 2.2 which means its free from serial correlation.

4.4 Granger Causality Test

VEC Granger Causality/Block Exogeneity Wald Tests

Date: 07/08/21 Time: 22:46

Sample: 1981 2019

Included observations: 37

Dependent variable: D(EXPT)			
Excluded	Chi-sq	Df	Prob.
D(OILEXPT)	0.540925	1	0.4620
D(INDT)	0.087925	1	0.7668
D(AGRIC)	2.898729	1	0.0886
D(EXR)	0.840263	1	0.3593
All	10.91734	4	0.0275

Dependent variable: D(OILEXPT)

Excluded	Chi-sq	Df	Prob.
D(EXPT)	0.185364	1	0.6668
D(INDT)	0.091173	1	0.7627
D(AGRIC)	5.331636	1	0.0209
D(EXR)	0.762251	1	0.3826
All	16.62951	4	0.0023

Dependent variable: D(INDT)

Excluded	Chi-sq	Df	Prob.
D(EXPT)	1.538321	1	0.2149
D(OILEXPT)	1.236765	1	0.2661
D(AGRIC)	0.092832	1	0.7606
D(EXR)	3.791927	1	0.0515
All	8.765214	4	0.0672

Dependent variable: D(AGRIC)

Excluded	Chi-sq	Df	Prob.
D(EXPT)	0.201590	1	0.6534
D(OILEXPT)	0.146285	1	0.7021
D(INDT)	3.625661	1	0.0569
D(EXR)	0.005416	1	0.9413
All	8.530918	4	0.0740

Dependent variable: D(EXR)

Excluded	Chi-sq	Df	Prob.
D(EXPT)	0.062587	1	0.8025
D(OILEXPT)	0.155199	1	0.6936
D(INDT)	0.052597	1	0.8186
D(AGRIC)	0.024344	1	0.8760
All	8.773121	4	0.0670

The null hypothesis is that the joint lagged coefficient are equal to zero with respect to the explanatory variable in question, against the alternative that it is not equal to zero. The decision criteria will be to reject the null hypothesis if the probability value of the chi-sq statistic is lower than 0.05.

With respect to D(EXPT), the null hypothesis states that the lagged coefficient of OILEXPT, INDT, AGRIC and EXCHANGE RATE has no causal effect on GDP as against the alternative. From the result we fail rejecting the null hypothesis for all variables, which means that all variables has no causal impact on export in the long run.

CHAPTER FIVE

SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSION

5.1 SUMMARY OF FINDINGS

The result of the co-integration test reveals that both the trace statistic and maximum eigenvalue statistic confirmed the existence of co-integrating equation among the variables. The result shows that there exist 4co-integration equations in the model. The result of VECM shows that not all the explanatory variables are significant, industry, oil export, exchange and conformed with apriori expectation. Also the coefficient of R^2 was found to be 65% which indicated that the explanatory variables were able to account for 65% of the total variations of the dependent variables. The value of Durbin-Watson statistic (DW) shows that there was no presence of auto-correlation; hence the model produced a parsimonious result.

Based on the research objectives, it was discovered that Non-oil sector has no significant contribution to export trade in Nigeria. This means that we accept the H_0 hypothesis in the research hypothesis.

5.2 POLICY IMPLICATIONS

From a careful observation of the above empirical findings, it can deduced that the country's growth process can be improved by influencing these relevant variables through policy initiatives by the government.

Specifically, the fact that non- oil sector showed a positive relationship with export in Nigeria is an important indicator that the country's growth process can be enhanced if policies are made by the government, essential to the development of the non-oil sector, this will ensure effective and efficient performance of the economy, reduction in labour cost due to wastage, invariably translating to an expansion in total output from industries and agriculture.

Another striking policy implication observed from the empirical analysis is the fact that exchange rate has a vital role to play in the enhancement and development of the country's export. From the observed positive relationship, it can be deduced that improved exchange rate system will help in the efficient performance of export and thus lead to economic growth.

5.3 RECOMMENDATIONS

From the above policy implications, the following recommendations and possible solutions are made,

1. Proper and effectively outlined policy frameworks should be put in place by the government through the relevant agencies to ensure that agriculture is effectively managed and channeled towards contributing significantly to export in Nigeria. This will go a long way in ensuring that the contributions of oil to export in Nigeria is significantly reduced.

2. The leakages and loopholes in the collection of oil rents in Nigeria should be effectively tackled via with accurate policy and monitoring frameworks so as the effect of oil contribution is significantly felt in the country.
3. Significant efforts should be channeled by the government towards improving the current management and operational framework of the non- oil sector in Nigeria. This can be achieved through a number of sub-targets such as proper utilization of the non-oil sector's proceeds, provision of more modern tools, developing adequate manpower with the required know-how sufficient enough to foster effective and efficient manning of key management and technical positions. These efforts when coordinated in an adequate self-reinforcing strategy/plan, will help ensure significant improvement in the non-oil sector which will immediately translate to improvements in other sectors.
4. One key issue that has continuously plagued the petroleum subsector in Nigeria is the absence of an effective management framework capable of harnessing the full potential of the country's petroleum sub-sector in terms of observed impact. This work recommends that this problem be tackled with deliberate policy frameworks channeled towards reducing the observed imperfections in the sector. This will assist in ensuring that the resources and output of the petroleum sector remains a useful driver of economic growth in Nigeria.

5. Lastly, this work recommends that significant attention should be directed at improving the manufacturing sector in Nigeria. This can be achieved through the use of attractive policy initiatives necessary to direct sufficient investment both local and foreign to the manufacturing sector in Nigeria. SMEs in the manufacturing sector should be encouraged with soft loans and capital facilities to help enhance significant improvement in the sector's overall output, this will also assist in improving the performance of the non-oil sector, ultimately translating to economic growth.

5.4 CONCLUSION

This research work empirically analysed the relative contribution of oil and non-oil subsectors to export trade in Nigeria. The oil sector has remained one of the major source of economic resources in Nigeria over the year, this fact has directed significant empirical attention to this sector and its role in spurring Nigeria's economic growth process and the non-oil sector has however not contributed to the export base of Nigeria over time. Some researchers have argued that the discovery of oil in Nigeria has been more of a curse than a blessing as it has led to the abandonment of other relevant sectors. However, the contributions of the sector to economic growth in Nigeria has been found to be significant by some researchers as well. This work employed data culled from the Central Bank of Nigeria (CBN) statistical bulletin and World Development Indicators to

empirically assess the issue in question. From the empirical investigation, it was observed that a positive and significant relationship exists between oil export and export in Nigeria. Similarly, the oil sector was found to be a significant driver of growth of the non-oil sector. Lastly, it was observed that both the oil and non-oil sector plays an important role in economic growth in Nigeria as positive relative was observed. From the above empirical findings, it was concluded that oil sector significantly affects economic growth in Nigeria positively. Hence, it was recommended among others that, effective policies and frameworks should be put in place to help manage properly, oil rents in Nigeria, conscious and deliberate efforts should be directed towards improving the oil sector and proper resource management should be a policy framework targeted towards the petroleum sub-sector.

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