

Export Financing and Economic Growth in Nigeria: A Time Series Analysis

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Abstract

The study examined the effect of export financing on the growth of Nigeria economy using time series data sourced from Central Bank of Nigeria Statistical Bulletin from 1990- 2023. Real gross domestic product was modeled as the function of commercial bank credit to export sector, export import bank credit to exporters, micro export credit, export grant and Nigerian naira exchange rate per US Dollar. The econometrics tools used in this study include; multiple regressions and Granger Causality test which were used to determine the level of impact that one variable has on the other as well as the direction of causality between them. The result arising from our findings indicates that 56.8 % variations in economic growth were explained by export financing variables. commercial banks credit, export import banks, microcredit export credit and export grant have positive effect on the growth of Nigeria economy while exchange rate have negative effect on the growth of the economy. From the findings, we conclude positive effect of export financing and economic growth in Nigeria. We recommend that Nigeria government should encourage the banking sector, especially the Nigeria Export -Import bank to increase their credit to Nigeria export sector to enhance export productivity and in turn improve economic growth. Nigeria should create a special budgetary allocation for production of export goods to enhance economic growth, there should be awareness programme to Nigeria stake holders and investors to invest or increase their investments in production of export goods and export management policies such as export financing subsidies and grant should be accessible by the commercial banks or export-import bank and Nigerian export incentives should be strengthened.

Keywords: *Export Financing, Economic Growth, Nigeria, Time Series Analysis*

INTRODUCTION

The opinion that export trade has significant role on the economic growth can be traced to the mercantilism in seventeenth and Eighteen centuries which advocate severe restriction in import and aggressive effort to increase export, later to Adam Smith in 1776 that developed the absolute cost advantage. Export is a component of international trade and constitutes an inflow to the National economy. According to the National Income Accounting Principle, export is an injection into the economic income stream while import is a leakage. Export of goods and services represents one of the most important sources of foreign exchange income that ease the pressure on the balance of payment and create employment opportunities (Fouuad, 2005). Export led growth (ELG) hypothesis recognized export as a major driver of economic growth (Greenaway & Nam, 2018).

Theories such as the absolute cost advantage by Adams Smith, comparative advantage by David Ricardo, comparative cost advantage by Hechseher Ohlin and the gravity model explained reasons and gains in international trade. Prior to the discovery of oil Nigerian export was dominated by agricultural commodities such as cocoa, groundnut, cotton, rubber and palm produce (Okoh, 2004). Compared with Nigerian import of machines, manufactured goods and others Nigeria export performance has been lack lust. The export has been dominated by the petroleum products which put the country into mono-cultural economy with the consequences of depleting external reserves, depreciating Nigerian Naira exchange rate and balance of payment disequilibrium. The neglect of the agricultural sector affected negatively the Nigerian export products. Today oil export account for 90% export and foreign earnings while non-oil account for 10%. Nigerian non-oil terms of trade have been negative (CBN, 2015).

In structure, Nigerian export can be categorized into oil and Non-oil export, Central bank of Nigeria report (2012) showed that, Nigerian export is greater than the import except the oil export, this result to bandwagon effect of export to Nigerian economic. Export promotion policies are poorly implemented and poorly managed. Others are mortgaged with personal interest. For instance the privatization of some industries to attract greater production beyond national consumption has been challenged with personal interest and fraud. Empirical findings have shown that the effect of export on economic growth is transmitted through the impact on economics of scale, including improving allocation of resources, enhancing greater inflows of capital flows, technology transfers, improving managerial and workers skills, enhancing capital formation, job creation and increase in the productive capacity of the economy. The impact of export in the economy is a critical function of the macroeconomic policies, monetary and economic development. Categorically, export financing can be domestic or international as international grant or equity and debt financing which include long term borrowings, short trade bills, financial market credit such as commercial, development banks finance such as the Nigeria's Export - Import Bank, capital market financing such as initial public offer for companies listed in the floor of Nigeria's Stock Exchange. Nigeria's export financing has evolved from policy formulation and initiation to institutional framework for sectoral development.

Export financing is used as a policy and strategy to develop the non-oil sector and diversify the economy from the monoculture oil economy, for instance the introduction of Export Development Fund(EDF), Export Expansion Grant Fund (EEGF) and Export Credit Guarantee and Insurance Scheme (ECGIS). The introduction of Nigeria Export Import Bank(NEXIB) becomes importance when it was obvious that export promotion programmes instituted by agencies such as Nigeria's Export Promotion Council, Export Processing Zones, tax subsidies program, concessionary financing programs and export credit guarantee schemes lacked the credit to finance agricultural development and local contents(Ahmed, 2008).

However, Nigeria government recognized the importance of export finance in developing the non-oil sector for increase production beyond national consumption to export, this led to the various export financing strategies. The extent to which these export financing strategies has affected the growth of Nigeria's economy remain a research interest and a knowledge gap. Close examination of some of the shows that the policies are passive rather than active policy of achieving economic growth, for instance commercial banks sectoral credit to export shows less than 1% of Gross Domestic Product. Total disbursed credit and outstanding credit of Nigeria Export -Import Bank also shows less than 1% of Gross Domestic Products. Other policies such as export credit guarantee scheme and export development fund were ill managed and structured to affect the growth of Nigeria economy. This is evidence by the ill performance of the non-oil sector and the contribution of the sector to economy. Okoh (2013) opined that while oil sector contributes over 90% to Nigeria Gross revenue non-oil contribute less than 10%.

Despite the growing literature on the affect oil and non-oil export credit on the growth of Nigeria economy, the relationship between export financing and economic is lacking, similar study by Onaolapo and Adeyomi (2012) focused on forms of firms finance and performance of intermediate cocoa processing firms in Lagos state, this study lacks national integration, Oluitan (2004) examined the impact of bank lending on the economic growth of Nigeria by looking at the supply and the demand side with evidence supporting the causal relationship between finance and economic growth, Ekpo and Egwaikhide (2014) examined the impact of non-oil export on the growth of Nigerian economy while Feder (2013) investigated the impact of export on the growth of Nigerian economy. These studies failed to capture the various export credit policies in Nigeria. Therefore, this study examined and contributes to the existing knowledge on the relationship between export credit and Nigeria economic growth.

LITERATURE REVIEW

Export Financing

Every individual as well as institution has a definite source of income and a particular way of expenditure, all of which come under the domain of finance. Finance is the process of channeling funds in the form of credit, loans or investible capital to those economic entities that need them most or can put them in the most productive use (CBN, 2004b). Generally, the concept of finance theory involves studying the various ways by which businesses and individuals raise money, as well as how money is allocated to projects while considering the risk factors associated with them. In simple terms, financing also means provision and allocation of funds for a particular business

module or project. However, this paper is concerned with the aspect of the various ways by which businesses and individuals raise money, since the allocation of funds is already a determined one, which, is into cocoa processing sector.

Kavoussi (1984) opined that export financing is the provision of credit facilities for promoting exports and export-related transactions. NEXIM (1997) opined that export finance as the availability of funds to the exporter at favorable terms in all stages of investment, production and export. Ahmed (2008) broadly defines export finance as the totality of funds available to an exporter including the net worth (paid-up and internally generated funds), debts, subsidies and grants as well as other miscellaneous funds. Export finance consists of the various options and facilities available to an exporter in securing needed funding for his export business activities. That is, ways and means by which the exporters financial needs or financing requirements can be met. The availability of export finance has become an important tool for export promotion nowadays simply because the competition to sell abroad has led to an increasing shift of bargaining power from the seller to the buyer who tends to dictate terms with regards to price, quality and delivery schedules (NEXIM, 1997). So awareness of source of finance is a vital knowledge to an exporter as export financing is often a key factor in any effort to promote exports Kavoussi (1984). Although, CBN, 2004b grouped sources of finance into domestic sources and external sources which could be short term, medium term or long term in nature. Externally sourced finance comprise of funds obtained from outside the country while domestically sourced finance are funds generated from within the country.

Ahmed (2008) categorized available source of export finance into Self finance (Savings, retained profit), Money Market finance (Commercial Bank Loans and advances), and Development Market finance (NEXIM Bank Loans) and, Capital Market finance (IPOs, Equity). Self-financing relates to funds sourced from Private savings which are categorized into individual savings and corporate savings. Individual savings accumulate both from current income and abstinence from consumptions while corporate savings emanate from increases in the retained profits of Corporations and firms (CBN, 2003), thus inappropriate profit is a proxy for self-financing. Money market financing comprises of all short-term loans and advances granted to the exporter for exporting activities by the commercial banks while development Bank financing is a reflection of all short and medium-term export loans and other export facilities provided by NEXIM Bank to Nigerian non-oil exporters. Capital market provides a mechanism for mobilizing private and public saving and making such funds available for productive purposes (CBN, 1993). The contribution of capital market to investment finance in any period is measured in terms of the amount of fresh funds raised through new issues rather than volume of transactions or market capitalization (CBN, 2004; Ahmed, 2008). New issues can be through initial public offers (IPO), Rights Offers, Bonds and offer for sale.

Nigerian Export Finance Strategies

Establishment of Nigerian Export-Import Bank

The introduction of the Nigerian export-import bank (NEXIM) became important when it was obvious that export promotion programs instituted by such agencies as the Nigerian export

promotion council; export processing zone; tax subsidy program; concessionary financing program and export credit guarantee scheme, lacked the credit to finance agricultural development and local investment. NEXIM started its operation with a share capital of N500million in 1991, and its statutory functions were as follows:

- (i) Provide export credit guarantee and export insurance facilities to non-oil exporters.
- (ii) Provide credit in local currency to support exports.
- (iii) Maintain a foreign exchange revolving fund for lending to exporters who need to import foreign inputs to facilitate export production.
- (iv) Provide domestic trade with insurance to assist exports and;
- (v) Establish and manage funds connected with exports.

While arguments for or against the role of export in economic growth ranges on, several empirical studies corroborates the assertion that export is an engine of growth in most economies of the world. Flemming (1962) demonstrated the overall effects of external trade as depending on the differences between export and imports, also for exchange product market and money market, concluding by emphasizing the adequate mixture of trade and exchange rate policy, fiscal and monetary policy, as a prerequisite for rapid economic growth and development. Oyejide (1975) confirmed the positive relationships that exist between export and economic growth. Fosu (1991) ascertained a highly significant and positive relationship between export and output growth rates. Ayodele (1997) opined in his study that export success contributes to economic growth. By and large, it has been largely held by a good number of development economists that trade is an engine of growth. In other words, trade (export) enhances growth of an economy.

Greenaway and Nam (2018) noted that in 2009, the government of Nigeria received a loan to redevelop the nation's sugar cane industry. Zambia Consolidated Copper Mines also received a loan recently to purchase supplies for the rehabilitation of the action's copper mines. Both countries received their load from the African Development bank Group. In each case, U.S companies are eligible to enter bids on the projects because the Unites States is one of the 76 non-African members of the Group. In fact, between Jan. 1, 1990 and May 2, 1991, U.S companies received contracts worth a total of over \$20 million. In 1990 total disbursement to U.S suppliers of goods and services as a result of group financing projects was 350 percent from 1989, resulting in nearly \$370 million in business for U.S companies. This figure represents only 4 percent of total disbursements resulting from loans the loans of the Group 1990. Africa holds many unexplored opportunities for U.S businesses. In 2010, notes Williams nations in Africa are actively involved in democratic reforms and many are taking measures to open their countries to outside investment. With these economic and political reforms come new openings for U.S firms in a continent that in the past has not had the levels of U.S investment and business that is typical of other regions of the world.

The African Development Bank Group is becoming a principal participant in the project lending field in Africa. It commits in excess of some \$3 billion in new projects annually. Recipients of these loans and related funds are normally governments and government-owned agencies rather than private companies. Private companies benefit through government contracts generated the funds disbursed by the Group. Therefore, any U.S business interest wanting to do work in Africa

should be aware of this funding source. Granger (1969) says that the Africa Development Bank Group actually consists of these separate yet integrated financial institutions, which work together out of the main headquarters in Abuja, Cote d'Ivoire. Regional integration of the economies of member countries realizing that the speed with which Africa develops hinges on the progress made in the regional integration of the economics of the member countries, the Group encourages and fosters programs that emphasize the economic cooperation of countries. Otanka notes that Group loans, with the exception of those of the NTF, are for 50 years, with a 10-year grace period. Each loan has a service fee of 0.75 percent, but no interest is charged. Though the loans are not specifically tied, all purchases must be made from AFDB Group member countries. NTF loans, which make up a smaller percentage of Groups financing packages, are granted for up to 25 years, with a five-year grace period. The interest rate is 4 percent for disbursed loans and 0.75 percent for undisbursed loans. In addition, to project loans, the Group notes IMF (2017) also provides financing for feasibility studies at a 0.75 percent commission rate for 10 years with a three-year grace period.

Export Incentive Regime in Nigeria

Apart from macroeconomic policy measures, fiscal compensation arrangements constitute another method through which government had supported exports. In line with the objectives of the SAP, government promulgated the Export (Incentives and Miscellaneous Provisions) Decree No. 18 in 1986. The decree not only abolished import licensing, but it also introduced comprehensive incentive measures for Nigerian exporters. Some of these incentives are described hereunder.

Currency Retention Scheme

As initially conceived, the currency retention scheme allows exporters to keep 25% (or any percentage that government prescribes, from time to time) of their foreign exchange proceeds in their domiciliary accounts in Nigeria. This has since been increased to 100%. The foreign exchange so retained enables exporters to pay for some approved export related activities such as overseas travel to conclude export contacts, quality determination!, deterioration costs, importation of inputs, etc.

Export Development Fund (EDF)

This is a special fund provided by government to give financial assistance to exporting companies to cover part of their initial export promotion activities. Such activities include advertising and publicity campaigns, export market research studies, products design and consultancy, etc.

Export Expansion Grant Fund (EEGF)

The fund is designed to provide cash inducement to exporters who attain a minimum annual export turnover of N50, 000 worth of semi manufactured and manufactured products. The inducement is to enable them to achieve increased volume of the export and diversify their export products.

Duty Drawback/Suspension Scheme

Under the scheme, exporters can import raw materials free of import duty or other indirect taxes and charges.

Tax Relief on Interest Income

The relief exempts from tax the interest income accruing to banks from export-lending activities. The incentive aims to encourage banks to provide credit support to the export sector.

Export Credit Guarantee and Insurance Scheme

The scheme guarantees loans granted by Nigerian banks to exporters for the production of export goods. It also provides credit facilities to foreign importers of Nigerian exports and insurance cover against default in payment by foreign importers.

Other Incentives

Apart from the above incentives, the manufacture-in-bond and export processing zone schemes were introduced in 1991 with the common objective of making non-oil export goods (especially manufactures) competitive, in price terms, through a waiver of duties and/or taxes. It is important to mention, however, that the implementation of these incentives has been fraught with problems, among which institutional inadequacy is, avoidable rivalries among implementing institutions, and administrative/ bureaucratic tardiness. The abolition of the erstwhile publicity owned Commodity Boards in 1986 seems to have achieved only minimal results. The boards were abolished to enable the private sector to take over the internal and external marketing of agricultural produce and to minimize the distortion of international market price signals to farmers. This policy, coupled with currency depreciation, raised the naira prices that farmers received for their export produce. However, other internally generated problems such as inadequate storage facilities and soaring domestic production and transportation costs remained as stumbling blocks to realizing the objectives of the measures. The absence of a good quality-control system also led to export of ungraded and poor quality products. In addition to the creation of a conducive environment for export and the adoption of an appropriate incentive structure, government also established or re-focused several institutions in the period preceding (as well as after) the inception of SAP to implement the incentives put in place to boost exports. The institutions whose functions impinge on exports directly or indirectly include the Central Bank of Nigeria, Nigerian Export Promotion Council, Federal Board of Inland Revenue, Customs and Excise Department, Nigerian Standards Organization, Nigerian Export Processing Zone Authority, the Nigerian Committee on Trade Procedures (NITPRO).

Overview of Export and Economic Growth in Nigeria

Growing the economy has become the target of most government in the developing economies of the world. Over the years, these governments have adopted a number of measures aimed at accelerating growth and development in their domestic economy. The need to improve the living standard of the citizenry, reduce unemployment, increase capacity utilization which leads to increased productivity, as well as increase in Foreign Exchange Earnings has led to the introduction of vibrant economic policies in Nigeria and other developing nations of the world. According to Azam (2009) the drift from trade restricted economy to trade liberalization is attributed to positive relationship that exists between export and economic growth.

Bhagwati (1973) noted that for efficient utilization of available scarce resources and for expanding global trade volume, freer trade in goods and services is highly beneficial. And so, to enjoy the advantage of this free trade, Nigeria has adopt trade liberalization policy with a view to increase export of goods and services which increases capacity utilization as well as foreign exchange earnings. Economists often assert that trade liberalization improves social welfare and alleviates poverty, because it generate jobs opportunities, fosters economic growth and improves consumer

choice and living standard of the societies. Reacting to this Fouad (2005) noted that exports of goods and services represent one of the most important sources of foreign exchange income that ease the pressure on the balance of payments and create employment opportunities, increase productivity and enhance the living standard of the citizenry. Exporting is associated with static gains that include access to larger outside markets, hence exploiting economies of scale. There are also dynamic gains that include efficiency advances as a result of knowledge and technological spillovers from exporting experience. Exporting is also associated with efficiency in resource allocation, employment generation, and relaxing the foreign exchange constraints (Bbaale and Mutenyo 2011).

Export expansion can be argued to be a stimulus of economic growth (Agosin, 1999; Giles and Williams, 2000; Grossman and Helpman, 1991). Additionally, Verdoorn (1949) dwells on the argument that export growth may generate specialization in the production of export commodities. By extension, specialization is argued to lead to efficiency gains in the export sector owing to the rise in skills due to learning-by-doing. Consequently, resources would flow from the relatively less productive and non-trade sector to the highly productive exports sector, leading to economic growth. On the same vein, Futher, Chenery and Strout (1966), Balassa (1978), Buffie, (1992) and Riezman (1996), dwell on an indirect argument linking exporting to economic growth. They argue that exporting activities generate foreign exchange that is required to import capital goods. Increase in capital goods imports in turn stimulate a country's capacity to produce. This is more pronounced in developing countries that have an extreme disadvantage in the production of capital goods. In the same line of argument, it is suggested that the most up-to-date knowledge and technology is embodied in the capital goods (plants and equipments) imported from technologically advanced countries. This knowledge transfer through international trade may increase productivity and, by extension, lead to economic growth and development (Hart, 1983 and Chuang, 1998).

Nigeria's Export Diversification Efforts and Experience

The Nigerian Government and her various developmental plans as well as macroeconomic policy frameworks have been attributed, since the independence in 1960 and till date, with the intention and determination to develop the non-oil sector which is aimed at diversifying the economy as well as reducing the various possible external shocks' effect on the economy. These policies, from various periods, had as core framework, Protectionism policy, Trade liberalization policy and Export promotion policy, and most times agencies were established to effectively implement these policies such as Nigerian Export Promotion Council, the Nigerian Export-import bank (NEXIM) and many more which have their existence on promoting the non-oil sector of the economy and also to ensure diversification of the export earning structure of the country.

Immediately after the civil war, the export structure of the country changed from the agricultural dominated to Oil dominated; this reduced the agricultural contribution to the gross domestic products. Due to the perceived danger of this and high degree of volatility associated with world Oil prices, the government instituted incentives such as removal of agricultural export taxes and sales taxes to promote agricultural sector and as well, placed high tariffs on agricultural imports.

This was the trend between the early 1970s and 1980s (Grossman & Helpman, 2019). During this period, the Nigerian export Promotion council was established in 1976 to ensure export development and promotion by generating ideas, suggestions and measures designed to advance the course of Nigeria's export trade; Advise and assist the government in the identification of export oriented industries and to help stimulate the growth of non-traditional exports from Nigeria; Assist the government in the creation of the necessary infrastructures such as export incentives and trade information services. As this was being implemented, the government with the trade liberalization policies starting from 1986 with the implementation of the IMF Structural Agreement Programme saw the abolition of the marketing boards, the second tier foreign exchange market (SFEM), as well as various export expansion incentive schemes, as well as establishment of the Nigeria Export- Import Bank etc. these efforts was corroborated by the federal government decree of 11th of July,1986 which establishment of three funds; Export Development. Fund, Export Expansion Grant Fund and Export Adjustment Scheme Fund (CBN, 2010). A further attempt at expanding the export diversification trend saw the promulgation of decree no. 34 of 1991 which designated and established the Export Processing Zone (EPZ) in the country. This zone are special enclave outside a nation's normal custom barriers where foreign and domestic firms may manufacture or assemble goods for export without the normal customs duties and procedural documented which are required in normal imports and exports activities. The firms operating the zone are normally exempted from industrial regulation applying within the domestic economy, especially with regards to foreign ownership of firms, repatriation of profits, employments of nationals, access of foreign exchange, etc (Grossman & Helpman, 2019). The restoration of democracy from 1999 occasioned a rapid transformation of the non-oil sector, following intensified policy support to Small and Medium scale enterprises to enhance the export of their products (both as raw materials and finished goods). In all considerations, all the various administrations in this dispensation have policies which are aimed at facilitating the diversification of the economy (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.

It is interesting to observe how persistent efforts of Nigerian exporting companies have led to the acceptance of their products in some of the highly quality conscious customers and markets. Consider a few examples. Ten years after AGOA (African Growth & Opportunity Act) was passed by USA to allow duty free access to products from sub-Saharan Africa, Nigerian exports seem to have achieved a breakthrough. A very positive fall out of the non-oil export expansion has been the emergence of export processing clusters. Challawa industrial estate in Kano has emerged as a major export cluster with modern tanneries situated in this zone (Yusuf, 2012). These developments have impacted positively on economic indices in recent times. According to the 2012 Economic Outlook Report by the National Bureau of Statistics (NBS), the non-oil sector grew at 9.07% in Q4 2011 higher than the 8.93% recorded in Q4 2010. The report also stated that the non-oil sector continued to be a major driver of the Nigerian economy in the fourth quarter of 2011. When compared with the corresponding quarter in 2010, the sector recorded 9.07 percent growth in real terms. This growth was largely driven by improved activities in the telecommunications, Building & construction, Hotel & Restaurant, Business services and other

sectors. The performance of the major industries in the non-oil sector in the fourth quarter of 2011 is further analysed to give a better understanding of their contributions to the Nigerian economy.

Economic Growth

Economic Growth and Gross Domestic Product (GDP) Economic growth as used here refers to increase in the total goods and services produced in an economy. Pritzker, Arnold and Moyer (2015) identified Gross Domestic Product (GDP) as the economic indicator which measures the value of the goods and services produced in an economy in a given time period. They stated that GDP is a measure of the economy's output and is a measure of current production, not sales. Thus GDP, is the market value of all final goods and services produced in a country in a given time period and it indicates an economy's performance (economic growth). When a GDP is measured using the current market prices it is called a nominal GDP, but when a certain base year is used for the calculation of a GDP, it is called a real GDP.

Theoretical Review

Comparative Advantage Theory

This theory was propounded David Ricardo. The theory assumed the existence of two countries, two commodities and one factors of production. To him a country export the commodity whose comparative advantage lower and import commodity whose comparative cost is higher. The theory also assumed that the level of technology is fixed for both nations and that trades are balanced and rolls out the flow of money between nations. However, the theory is based on the labour theory of values which states that the price of the values of a commodity is equal to the labour time going into the production process. Labour is used in a fixed proportion in the production of all commodities. But the assumptions underlying is quite unrealistic because labour can be subdivided into skilled, semiskilled and unskilled labour and there are other factors of production. Despite the limitations, comparative cost advantage cannot be discarded because its application is relevant in explaining the concept of opportunity cost in the modern theory of trade.

Heckscher-Ohlin Trade Theory

The theory focuses on the differences in relative factor endowments and factor prices between nations on the assumption of equal technology and tastes. The Model was based on two main propositions; namely; a country will specialize in the production and export of commodity whose production requires intensive use of abundant resources. Secondly, countries differ in factor endowment. Some countries are capital intensive while some are labour intensive. He identified the different in pre-trade product prices between nations as the immediate basis of trade, the prices depends on production possibility curve (supply side) as well as the taste and preference (demand side). But the production possibility curve depends on factor endowment and technology. To him, a nation should produce and export a product for which abundant resources is used be it capital or labour. The model suggests that developing countries are labour abundant and therefore they should concentrate in the production of primary product such as agricultural product and they should import capital intensive product i.e manufactured goods from the developed countries. The model also assumes two countries, two commodities and two factors and that two factors inputs labour and capital are homogenous. The production function is assumed to exhibit constant return to scale. However, the theory is not free from criticism and this because factors inputs are not

identical in quality and cannot be measured in homogenous units. Also factor endowments differ in quality and variety. Relative factor prices reflect differences in relative factor endowment-supply therefore outweigh demand in the determination of factor prices. Despite this criticism, trade increases the total world output. All countries gain from trade and it also enables countries to secure capital and consumption of goods from the rest of the world.

Neo-Classical Growth

This was first propounded by Robert Solow over 40 years ago. The model believes that a sustained increase in capital investments increased the growth rate only temporarily, because the ratio of capital to labour goes up. The marginal product of additional units is assumed to decline and thus an economy eventually moves back to a long term growth-path with the real GDP growing at the same rate as the growth of the workforce plus factor to reflect improving productivity. Neo-classical economists who subscribe to the Solow model believes that to raise an economy long term trend rate of growth requires an increase in labour supply and also a higher level of productivity of labour and capital. Differences in the rate of technological change between countries are said to explain much of the variation in growth rates. The neo-classical models treat productivity improvements as an exogenous variable which means that productivity improvements are assumed to be independent of the amount of capital investment.

Endogenous Growth Theory

To them, they believe that improvements in productivity can be attributed directly to a faster pace of innovation and extra investment in human capital. They stress the need for government and private sector institutions to encourage innovation and provide incentives for individual and business to be inventive. There is also central role of the accumulation of knowledge as a determinant of growth i.e knowledge industries such as telecommunication, electronics, software or biotechnology are becoming increasingly important in developed countries. The proponent of endogenous growth theory believes that there are positive externalities to be exploited from the development of a high value added knowledge economy which is able to developed and maintain a competitive advantage infact growth within the global economy. They are of the opinion that the rate of technological progress should not be taken as a constant in a growth model- g0overnment policies can permanently raise a country growth rate if they lead to move intense competition in markets and help to stimulate product and process innovation. That they are increasing returns to scale from new capital investment and also private sector investment is a key source of technical progress and that investment in human capital is an essential ingredient of long term growth.

Harrod – Domar Growth Model

Harrod-Domar opined that economic growth is achieved when more investment leads to more growth. They theory is based on linear production function with output given by capital stock (K) times a constant. Investment according to the theory generates income and also augments the productive capacity of the economy by increasing the capital stock. In as much as there is net investment, real income and output continue to expend. And, for full employment equilibrium level of income and output to be maintained, both real income and output should expand at the same rate with the productive capacity of the capital stock.

The theory maintained that for the economy to maintain a full employment, in the long run, net investment must increase continuously as well as growth in the real income at a rate sufficient enough to maintain full capacity use of a growing stock of capital. This implies that a net addition to the capital stock in the form of new investment will go a long way to increase the flow of national income. From the theory, the national savings ratio is assumed to be a fixed proportions of national output and that total investment is determined by the level of total savings i.e $S = SY$ which must be equal to net investment I . The net investment which is $I = \Delta K = K\Delta Y$ because K has a direct relationship to total national income. And, therefore $SY = K\Delta Y$ which simply means $\Delta Y/Y$ is growth rate of GDP that is determined by the net national savings ratio, s and the national capital output, K in the absence of government, the growth rate of national income will be positively related to the saving ratio i.e the more an economy is able to save and invest out of a given GDP, the greater the growth of GDP and which will be inversely related to capital output ratio.

Empirical Review

Erickson and Miftahu (2023) examined the effect of export trading on economic growth in Nigeria. This study, as one of the empirical investigations on the impact of export trading on economic growth in Nigeria has provided a good understanding of the level of impact that export has on the growth of Nigeria's economy with particular reference to oil and non-oil export. The study covered the period of 1996 to 2021 and time series data obtained from CBN were used. The econometrics tools used in this study include; multiple regressions and Granger Causality test which were used to determine the level of impact that one variable has on the other as well as the direction of causality between them. The result arising from our findings indicates that oil export positively and significantly impacted on the growth of Nigeria's economy for the period under review. It was also shown in the result that non-oil export has a positive and significant impact on GDP. The result of the granger causality test indicates that there is unidirectional causality between oil export and GDP. This finding is in line with that of Odusola and Akinlo (2015), Ekpo and Egwaikhide(2014) and Idowu(2015) who used the traditional Granger causality test in examining whether the growth led-export hypothesis is valid for Nigeria. The results of the study indicated that a unidirectional relationship between exports and economic growth exists in Nigeria. Based on this, we conclude that growth-led-export hypothesis is applicable in the Nigeria context with particular reference to oil export. Therefore to improve the living standard of the populace emphasis should not be directed only to the export sector of the economy but should be far reaching as the growth in the economy also has the potential to drive the export sector of the economy.

Uche (2019) used the traditional Granger causality test in examining whether the export-led growth hypothesis is valid for Nigeria. The results of the study indicated that a bidirectional (or feedback effect) relationship between exports and economic growth exists in Nigeria. Thus the study validated both the export led growth hypothesis and the growth-driven export hypothesis for Nigeria. Though the study examined the stationarity properties of the variables used, it did not consider the issue of cointegration. The issue of cointegration is very important in determining whether or not to apply the traditional Granger (1969) causality test in the analysis of causality.

Hsiao (2017) examined the impact of deposit money bank credit on the growth of export in Nigeria from 1986 to 2016. It employs the Auto Regressive Distributed Lag (ARDL) bounds testing

approach to co-integration analysis to establish the long run relationship between the relevant time series data. The empirical findings showed that deposit money bank credit to export sector has an inverse but significant relationship on the Nigerian export sector while on the short run, deposit money bank credit at lag one and two have direct and significant impact on the Nigerian export sector. This implies that continuous supply of credit to export sector has the tendency to encourage growth of exportation of goods and services in the Nigerian economy. Furthermore, the findings from stability test conducted using the Cumulative Sum (CUSUM) and Cumulative Sum of Square (CUSUM Q) of the residual shown that the ARDL model is stable. The study recommends that interest rates should be reduced to make loanable funds cheaper for investors in the export sector and monetary authority should put in place adequate policies toward deepening the financial sector to encourage supply and reduce the cost of credit to the export sector in the Nigerian economy.

Arikpo and Adebisi (2017) examined the effects of deposit money banks financing on real sector output in Nigeria. The study specifically assessed the effect of private sector credit, interest rate spread, deposit mobilization and banks holding of treasury bills on trade and agricultural sectors outputs in Nigeria. The study used the Vector Error Correction Mechanism (VECM) for data analysis and revealed that deposit money banks financing have a long term significant effect on the trade sector but does not have any long run effect on the agricultural sector in Nigeria and interest rate spread has an inverse effect on the trade sector output but a positive effect on the agricultural sector output. The study therefore recommended that the spread between lending and deposit rates should be narrowed to trigger savings and enhance banks loan supply and real sector loan demand which consequently will boost productivity in the real sector.

Akeem (2017) undertook a study titled Non-oil export determinant and economic growth in Nigeria. Akeem employed data from CBN for the period 1989 to 2008. He used multi linear regression method and found non-oil export for previous year and consumer price index to positively affect GDP. Multi linear regression was used in this study without carrying out a unit root test. Not carrying out a unit root test may lead to a spurious result.

Adenugba and Dipo (2017) studied Non-oil exports and the economic growth of Nigeria: A study of agricultural and mineral resources. The study evaluated the performance of Nigeria's export promotion strategies as to whether they have been effective in diversifying the productive base of the Nigerian Economy from Crude oil as the major source of foreign exchange. The study was carried out for the period 1981 to 2010. Findings from the study revealed that non-oil exports have performed below expectations giving reason to doubt the effectiveness of the export promotion strategies that have been adopted in the Nigerian Economy. The study revealed that the Nigerian Economy 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. The study made some recommendations for diversification to be achieved and for enhancing the productivity and output of non-oil commodities as well as providing markets for the commodities. Unit root test was not conducted before the estimation. This may undermine the result.

Rahmaddi (2018) examined the exports and economic growth nexus in Indonesia employing vector autoregressive (VAR) model. The findings indicate the significance of both exports and

economic growth to economy of Indonesia as indicated in GIRF analysis. It was concluded that exports and economic growth exhibits bidirectional causal structure, which is Export Led Growth in long-run and Growth Led Export in short-run. Gemechu (2015), using co integration and error correction approaches in the regression analysis examined the policies and test for the relationship between exports and economic growth. The result shows that export significantly affected economic growth in the short-run. There is causality runs from exports to economic growth. Samad (2017) tested the hypothesis that there exist relationship between exports and economic growth in Algeria, using VEC Granger causality and block exogeneity Wald test. Augmented Dickey-Fuller test was used to run the regression. The result shows that the variables are non-stationary. It was concluded that there is causal relationship between economic growth, exports and imports.

Adogamhe (2010) examined the impact of policy and institutions on non-oil exports in Nigeria for the period 1961-2012. The Autoregressive Distributed Lag (ARDL) framework was employed for analysis and found a long-run relationship between non-oil exports and the associated variables. In both the long and short run, broad money supply and exchange rate were found to have direct and significant impact on non-oil exports. Both the short and long run results indicate that fiscal deficit, interest rate, and openness are inversely related to non-oil exports and statistically significant with the exception of fiscal deficit and concluded that increased in money supply and proper exchange rate management are means of driving non-oil exports and also there is need to reduce fiscal deficit and interest rate. A reduced fiscal deficit can ease the pressure on the market for loanable fund and consequently the crowding out of private investment.

Cammack, D., & Kelsall, T. (2010) examined the contribution of the Nigerian banks to the promotion of non-oil exports. The study employs econometric time series analysis to examine the contribution of Nigerian deposit money banks credit to non-oil exports performance. Using unit root, co-integration and granger causality test, in which changes in non-oil exports performance was regressed against commercial banks credit to non-oil exports, interest rate and inflation using annual series data for the period 1990-2013. The result of the analysis showed that Nigerian banks have not adequately contributed toward the promotion of non-oil exports. The study also finds that there is a long run relationship between deposit money banks credit to non-oil exports and the performance of non-oil exports but no causality between Nigerian banks credit to non-oil exports. They recommended that the Central Bank of Nigeria should reduce the current monetary policy rate of 14% to a range of 5%-8% so that when commercial banks add up processing, transaction and other administrative fees, credit would be extended to non-oil exporters at a rate lower than 15%. Also the Central Bank of Nigeria should as an operational guideline, impose commercial banks to set aside a certain amount of money from their yearly profit for financing of non-oil export as it is the case for small and medium scale enterprises equity scheme. Studies reviewed focused on export and economic growth while this study focused on export financing and economic growth in Nigeria.

METHODOLOGY

This study uses quasiexperimental research design approach for the data analysis. This approach combines theoretical consideration (a prior criterion) with the empirical observation and extract maximum information from the available data. It enables us therefore to observe the effects of

explanatory variables on the dependent variables. The data for this study were secondary data sourced from the Central Bank of Nigeria (CBN) statistical bulletin 2023 publication various years, Economic and Financial Report and National Bureau of statistics.

Model Specification

Based on the objectives of the study, the functional model is specified as follows:

$$RGDP=f(CBC, EIB, MEC, EXG, EXR)..... 1$$

It is empirically stated as

$$RGDP= \beta_0 + \beta_1CBC + \beta_2EIB + \beta_3MEC + \beta_4EXG + \beta_5EXR + \mu 2$$

Where:

RGDP = Nigerian Real Gross Domestic Product Proxy for dependent Variable

CBC = Commercial bank credit to export sector

EIB = Export Import Bank credit to exporters

MEC = Micro export Credit

EXG = Export grant

EXR = Nigerian Naira Exchange Rate per US Dollar

β_0 = Regression Intercept

$\beta_1 - \beta_6$ = Coefficient of the independent variables to the dependent variable

μ = Error term

Data Analysis Method

The technique used in this study is the Ordinary Least Square (OLS) estimation technique. The test instruments in the OLS are the T-statistics and F-test which were used to test the significance of variables and the overall significance of the regression respectively. Other test instruments also employed were the Durbin Watson test which was used to test the presence or absence of auto correlation between and among the explanatory variables and the adjusted R square used to test the percentage variation of the dependent and the independent variables.

Estimation Techniques

Stationarity Test:

Time series data are assumed to be non-stationary and this implies that the result obtained from Ordinary Least Square (OLS) may be misleading (Suleman and Azeeze, 2012). It is therefore necessary to test the stationarity of the variables using the Augmented Dickey Fuller 1979 test to both level and first difference. The ADF test constructs a parameter correction for higher order correlation by assuming the times series follows an auto regressive process. Mathematically expressed as

$$\Delta y_t = c + \beta_t + \alpha y_{t-1} + \sum_{t-i}^k \gamma_j \Delta y_{t-j} + \varepsilon_t.....3$$

$$\Delta y_t = c + \alpha y_{t-1} + \sum_{t-i}^k \gamma_j \Delta y_{t-j} + \varepsilon_t.....4$$

Equation 1 is used to test for the null hypotheses of non stationarity of unit root against trend stationarity alternative in Y_t where y refers to the examined time series. Equation 2 tests the null hypotheses of a unit root against a mean stationarity alternative.

Johansen Cointegration Test

The cointegration test established whether a long run equilibrium relationship exist among the variables. It is generally accepted that to establish a cointegration, the likelihood ratio must be greater than the Mackinnon critical values. The model can be stated as

$$\Delta X_t = \mu + \Psi_1 \Delta X_{t-1} + \Psi_2 \Delta X_{t-2} + \dots + \Psi_{p-1} \Delta X_{t-p+1} \dots \dots \dots 5$$

Where μ is a constant term.

ΔX_t Represents the first cointegrating differences

iii. Granger Causality

To determine the direction of causality between the variables, the study employed the standard Granger causality test (Granger, 1969). The test is based on Vector Error Correction Model (VECM) which suggest that while the past can cause or predict the future, the future cannot predict or cause the past. Thus, according to Granger (1969) X Granger cause Y if past value of X can be used to the past value of Y, the test is based on the following regression model.

$$Y_t = \alpha_o + \sum_{i=1}^n \alpha_1^y Y_{t-1} \sum_{i=1}^n X_{a1} X \mu \dots \dots \dots 6$$

and

$$X_t = \beta_o + \sum_{i=1}^n \beta_1^y Y_{t-1} \sum_{i=1}^n X_{\beta 1} X Y_t \dots \dots \dots 7$$

i. Vector Error Correction Model

Co-integration is a prerequisite for the error correction mechanism. Since co-integration has been established, it is pertinent to proceed to the error correction model. The VECM is of this form:

$$\Delta y_t = \alpha \beta y_{t-1} + \sum_{i=1}^{j=1} \Gamma_j \Delta y_{t-1} + \pi + \zeta_t, t = 1, \dots, T \dots \dots \dots 8$$

Where Y_t is a vector of indigenous variables in the model. α is the parameter which measures the speed of adjustment through which the variables adjust to the long run values and the β is the vectors which estimates the long run cointegrating relationship among the variables in the model. π is the draft parameter and is the matrix of the parameters associated with the exogenous variables and the stochastic error term.

RESULTS AND DISCUSSION

Table 1: Ordinary Least Square Regression Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-10.93286	803.0438	-0.013614	0.9892
CBC	0.001812	0.001124	1.613094	0.1188
EIB	0.006233	0.000824	7.560254	0.0000
MEC	0.001608	0.001422	1.130148	0.2687
EXG	-0.008452	0.001112	-7.602004	0.0000
EXR	-50.14664	21.26325	-2.358371	0.0262
R-squared	0.980503	Mean dependent var		11780.50
Adjusted R-squared	0.976754	S.D. dependent var		20206.15
S.E. of regression	3080.771	Akaike info criterion		19.07111
Sum squared resid	2.47E+08	Schwarz criterion		19.34593
Log likelihood	-299.1377	Hannan-Quinn criter.		19.16221
F-statistic	261.5103	Durbin-Watson stat		1.166972
Prob(F-statistic)	0.000000			

Source: Computed by Researcher from E-view 9.0

Analysis of the Results

The extent to which the independent variables can explain changes in the dependent variable is revealed by the R^2 and the adjusted R. From the result, the R^2 and the adjusted R^2 of 0.980503 and 0.976754 revealed that 98.0% and 97.6% variation in the growth of Nigerian Real Gross Domestic Product can be explained by variation in the explanatory variables in the model. The large explained variation shows the important of international trade on the economic growth. The F-Statistics of 261.5103 at the probability of 0.00000 show the fitness of the model. The Durbin Watson (D.W) statistics of 1.166972 shows the presence of negative serial autocorrelation between the variables in the time series. The means dependent variation and standard deviation of the variables shows high rate of fluctuation and deviation from the static point of equilibrium. This allows testing the stationarity of the date using the Augmented Dickey Fuller Unit Root Test. From the regression results, all the independent variables have positive effect on economic growth except export grant.

Table 2: Stationarity Test

Variables	ADF Statistics	Mackinnon Critical Value 1%	5%	10%	Order of Integratio n
RGDP	4.423456	-3.724070	-2.986225	-2.632604	1(I)
CBC	4.423917	-3.724070	-2.986225	-2.632604	1(I)
EIB	5.645868	-3.724070	-2.986225	-2.632604	1(I)

MEC	-5.101755	-3.724070	-2.986225	-2.632604	1(1)
EXG	-4.896806	-3.724070	-2.986225	-2.632604	1(1)
EXR	-5.307602	-3.724070	-2.986225	-2.632604	1(1)

Source: Computed by Researcher from E-view 9.0

The two basic test statistics used in this study for the detection of the number of cointegrating vectors are Trace Statistics and Maximum Eigen-value Statistics. The results of the co-integration test using the Johansen methodology, which in this case is based on the likelihood ratio test is presented in table 2 which shows the Max Eigen value indicates co-integrating equation, because the Max-Eigen statistics of is greater than 5 percent critical value at None hypothesized (None*). The results shows the test for long-run co-integration among the variables as the trace statistics is compared with the 5 percent critical value at none* hypothesized no of CE(S). The results show that there exists a long-run relationship among the variables because the Trace Statistic is greater than the 5 percent critical value at the none- hypothesized none. From the above, the study concludes a long relationship between the variables.

Table 3: Presentation of Unrestricted Cointegration

Rank Test (Trace)					
Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**	
None *	0.994972	429.7559	95.75366	0.0001	
At most 1 *	0.984937	281.5584	69.81889	0.0000	
At most 2 *	0.946560	164.0836	47.85613	0.0000	
At most 3 *	0.874729	82.06602	29.79707	0.0000	
At most 4 *	0.522615	23.90226	15.49471	0.0022	
At most 5	0.107938	3.198140	3.841466	0.0737	
Rank Test (Maximum Eigenvalue)					
None *	0.994972	148.1975	40.07757	0.0001	
At most 1 *	0.984937	117.4748	33.87687	0.0000	
At most 2 *	0.946560	82.01758	27.58434	0.0000	
At most 3 *	0.874729	58.16376	21.13162	0.0000	
At most 4 *	0.522615	20.70412	14.26460	0.0042	
At most 5	0.107938	3.198140	3.841466	0.0737	

Source: Computed by Researcher from E-view 9.0

The summary of the co-integration equation result is presented in table (5). The null hypothesis in each case is rejected in favour of the alternative hypothesis, as the T-statistic of the variables are greater than 2, thus implying that all the variables are statistically significant in influencing growth in the long run.

Table 4: Estimated Error Correction Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(RGDP(-1))	-0.030566	0.125738	-0.243088	0.8100
D(CBC (-1))	0.911463	1.004560	0.907325	0.3733
D(EIB (-1))	0.163708	0.707924	0.231251	0.8191
D(MEC (-1))	0.991872	1.037874	0.955676	0.3488
D(EXG (-1))	0.166558	0.118862	1.801273	0.0439
D EXR (-1))	-0.865175	0.935976	-0.924356	0.3645
C	4.760043	8.818413	0.539785	0.5943
ECM(-1)	-1.385915	0.213719	-6.484762	0.0000
R-squared	0.686452	Mean dependent var		0.077941
Adjusted R-squared	0.568872	S.D. dependent var		14.26469
S.E. of regression	9.366245	Akaike info criterion		7.552030
Sum squared resid	2105.437	Schwarz criterion		8.000960
Log likelihood	-118.3845	Hannan-Quinn criter.		7.705128
F-statistic	5.838157	Durbin-Watson stat		2.009332
Prob(F-statistic)	0.000255			

Source: Computed by Researcher from E-view 9.0

From model the model, the result shows the equilibrium structure of the over parameterized error correction model (ECM1) and the estimated error correction models were a good fit. This is indicated by R-squared of 0.568872 and implies that 56.8 % variations in economic growth are explained by the variables included in the model. Moreover, the Durbin Watson (DW) Statistic also shows that the estimated models are free from the problem of positive first 2.009332 order serial correlation since the computed Durbin Watson value of 2.369831 is greater than the tabulated value of 1.900. The f-statistic also shows that the model is statistically significant since the f-calculated value of 5.838157 is greater than f-tabulated value of 2.42 at 95% confidence level. Apart from these diagnostic statistics, the error correcting terms are appropriately negative as the theory predicts. The error correction term shows significant correction of about 138 percent from short run disequilibrium to long run equilibrium. Base on the validity of lag I, the variables found that commercial banks credit, export import banks, microcredit export credit and export grant have positive effect on the growth of Nigeria economy while exchange rate have negative effect on the growth of the economy. The finding also confirms the policy of the national Economic Empowerment Development Strategies founded in 2006 with the objective of repositioning Nigerian Economy for greater productivity. The finding confirm the theories of International Trade such as the Absolute Advantage by Smith, Comparative advantage by Divide Ricardo and deepen the reasons economists have always advocated the continued existence of International Trade despite the perceived negative economic growth of Nigeria. It also confirms the findings of Chen (2007) on the positive effect of Oil Export on the growth of Nigerian economic. A close examination of Central Bank of Nigerian Annual Report shows that Oil Export and Revenue accounted for over 80% of the total revenue.

Table 5: Granger Causality Test

Null Hypothesis:	Obs	F-Statistic	Prob	Summary	Conclusion
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CBC does not Granger Cause RGDP	34	0.00322	0.9968	Accept HO	No Causality
RGDP does not Granger Cause CBC		0.87127	0.4291	Accept HO	No Causality
EIBdoes not Granger Cause RGDP	34	3.81415	0.0338	Reject HO	Causality
RGDP does not Granger Cause EIB		0.50169	0.6107	Accept HO	No Causality
MECdoes not Granger Cause RGDP	34	0.02462	0.9757	Accept HO	No Causality
RGDP does not Granger Cause MEC		5.79286	0.0076	Reject HO	Causality
EXG does not Granger Cause RGDP	34	1.52071	0.2355	Accept HO	No Causality
RGDP does not Granger Cause EXG		12.7425	0.0001	Reject HO	Causality
EXR does not Granger Cause RGDP	34	4.60911	0.0193	Reject HO	Causality
RGDP does not Granger Cause EXR		0.49139	0.6173	Accept HO	No Causality

Source: E-view 12.0

The pair-wise Granger causality test results presented in table (5) suggested the summaries of causal relationship between export financing variables measures of economic growth because the calculated F-values in each case are less or greater than the critical F-value at 5 percent significance level.

CONCLUSION AND RECOMMENDATIONS

Conclusion

The importance of export financing on Nigeria export cannot be over emphasized. Increased exports affect the current account of balance of payments of any country positively and thereby increase the economic performance of such country. Therefore, it is very necessary for Nigeria to observe adequate financing of export sector. In view of the important of export sector and export financing, we make the following recommendations. The objective of this study was to investigate the impact of Nigerian Export financing on the economic growth using time series data covering 34 years. The study used time series data covering 34 years. The data were sourced from the publications of Central Bank of Nigeria Real gross domestic product was modeled the function of commercial bank credit to export sector, export import bank credit to exporters, micro export credit, export grant and Nigerian naira exchange rate per US Dollar. From the findings, we conclude that export financing have significant effect on the growth of Nigeria economy.

Recommendations

- i. Nigeria government should encourage the banking sector, especially the Nigeria Export - Import bank (NEXIM) to increase their credit to Nigeria export sector to enhance export productivity and in turn improve real gross domestic product.

- ii. Nigeria should create a special budgetary allocation for production of export goods to enhance economic growth.
- iii. There should be awareness programme to Nigeria stake holders and investors to invest or increase their investments in production of export goods
- iv. Export management policies such as export financing subsidies and grant should be accessible by the commercial banks or export-import bank and Nigerian export incentives should be strengthened.

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