The Impact of Foreign Trade Financing On Per Capita Gross Domestic Product in Nigeria

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Abstract

The study examined the impact of foreign trade financing on per capita gross domestic product in Nigeria spanning from 1981 to 2022. The study makes use of secondary data (time series) from various sources which include; the Central Bank of Nigeria Statistical Bulletin and Annual Report (various issues), and World Development Indicators. Variables used for the study include Deposit Money Banks' Credit to Export Trade, Deposit Money Banks' Credit to Import Trade, Nigeria Export and Import Credit, Letter of Credit, and Exchange Rate as explanatory variables, while per Capita Gross Domestic Product serves as the dependent variable. The Eview10.5 Software was used to empirically and econometrically analyze data and ARDL was used as method of estimation. The findings from the result showed that NEXIMC bank credit has a positive effect on gross domestic product in the short run and a negative effect in the long run, an increase in export trade credit has a positive effect on per capita gross domestic product, deposit money banks credit to import trade has a positive effect on per capita gross domestic product, issuance of the letter of credit hurts per capita gross domestic product, an appreciation of the exchange rate hurt per capita gross domestic product. The study concludes that international trade financing using deposit money bank loans negatively affected per capita gross domestic product in Nigeria. The study therefore recommends that import trade should be more on capital-intensive goods where Nigeria has a disadvantage in either production or expertise, credit to the private sector should be channelled into the production of capital goods and services which will attract more foreign exchange into the country and before the adoption of the import substitution policy, efforts should be made to promote or improve the quality of education in Nigeria.

Keywords: Foreign trade financing, Per capita gross domestic product, Nigeria, and ARDL

INTRODUCTION

Trade finance is financial support that helps companies trade either domestically or internationally. Export finance is finance that helps them sell goods and services overseas, typically by providing an advance or guaranteed payment. Foreign trade financing includes, but is not limited to, trade credit, Cash advances, Purchase order (PO) finance, Receivables discounting, term loans, and export finance. According to Godson (2021), export finance may include letters of credit, export insurance, shipment insurance, and export credit. There are many financial institutions that are involved in export financing, including banks, insurance companies, export credit agencies, and other related companies. The Addis Ababa Action Agenda document of 2015 provides a new global framework for financing sustainable development that aligns all financing flows and policies with economic, social, and environmental priorities (UN, 2023). The Financing for Development process is centered on supporting the follow-up to the agreements and commitments reached during the three major international conferences on Financing for Development: in Monterrey, Mexico, in 2002; in Doha, Qatar, in 2008; and in Addis Ababa, Ethiopia, in 2015. The process also follows up on the financing for development-related aspects of the outcomes of major United Nations conferences and summits in the economic and social fields, including the 2030 Agenda and the Sustainable Development Goals (SDGs).

The Nigerian economy has been considered to have performed well below expectations in comparison to its enormous natural endowment and comparable nations. Despite having numerous solid mineral resources and a population of over 170 million people, as well as one of the world's largest gas and crude oil reserves, the country's economic performance has been deemed rather weak when compared to emerging Asian nations such as India, Thailand, Malaysia, China, and Indonesia. In terms of GDP per capita, these nations trailed Nigeria significantly in 1970, yet they were eventually able to transform their economies to become star participants in the global economic arena. According to Sanusi (2010), whereas China was ranked 114th in 1970 with a GDP per capita of US$111.82, Nigeria was ranked 88th with a GDP per capita of US$233.35. (CBN, 2019). Today, China has a promising and enviable position in the global scheme of things, owing primarily to her self-esteemed trading standing with other countries. This advancement was made possible by the availability of effective trade finance instruments to investors in all sectors of the nation's economy, which is lacking in undeveloped nations such as Nigeria. Given the absence of sufficient credit to the external trade sector amidst the need to expand the nation trade frontier is on the increase, the level of recorded economic development in Nigeria has remain below the expected average. Hence, a call for concern on elucidation on the effect of foreign trade financing on economic development indicators in Nigeria.

This study will depart from existing studies by considering Nigeria Export and Import (NEXIM) credit, credit to export trade, credit to import trade, and letters of credit as proxies for foreign trade financing, and per capita gross domestic product which has to do with the state of economic growth in Nigeria.

LITERATURE REVIEW

Conceptual Clarification

The Concept of Foreign Trade Financing

The umbrella word for a variety of financial instruments used by banks and businesses to facilitate trade transactions is trade finance. Foreign trade finance is defined by Ahn et al. (2011) as a wide variety of products that assist importers and exporters in managing international payments and the risks connected with them, as well as providing essential working cash. As a result, the phrase "external trade finance" is normally reserved for bank products that are expressly related to underlying international trade transactions (exports or imports), and it typically has short maturities. However, trade-in capital goods may be backed by longer-term credits. There are two forms of foreign trade finance: equity financing and debt financing. The primary benefit of equity financing is that there is no obligation to repay the money obtained via interest.

Equity financing entails selling an interest in your company in exchange for a cash investment. Unlike a loan, equity funding does not require a payback. Instead, investors purchase stock in a firm to profit from dividends (a portion of earnings) or by eventually selling their shares. When a corporation raises funds by selling debt instruments to investors, this is referred to as debt financing. Debt finance is the inverse of equity financing, which involves the issuance of stock to raise funds. When a company offers fixed-income instruments such as bonds, bills, or notes, it is referred to as debt financing. An initial public offering, small company investment firms, angel investors for equity financing, mezzanine financing, venture capital, royalty financing, or equity crowdfunding are all examples of external trade financing through equity.

Stiglitz and Weiss (1983) and Diamond (1984) argued that a well-developed financial market allocates an economy's savings to successful investments. Greenwood and Jovanovic (1990) believe that financing lowers the cost of information, which leads to improved capital allocation and lowers the cost of corporate governance.

The Concept Per-Capita Gross Domestic Product:

The concept of per capita income as a measure of economic development is the average income earned per person in a given country. It is calculated by dividing the country's national income by its total population over a given period of time. Per capita income is important in calculating the human development index in the sense that it is an indicator of economic performance and a veritable instrument in explaining the living standard of a country. It also facilitates or assists in analyzing and comparing the wealth status of different countries over time. In the context of this work, per capita income is defined as the worth of all citizens of a country expressed in monetary terms.

Theoretical Literature

Absolute Advantage Trade Theory:

Adam Smith's absolute advantage is the ability of a country to produce goods and services per unit using fewer resources than other countries (Deliarnov, 1995). Adam Smith proposed the principle of absolute cost advantage in his renowned book "Wealth of Nations" in 1776. The theory arose as a result of criticism leveled at mercantilism. He argued that free trade was the best policy for the world's nations. Smith believed that via free trade, each nation might specialize in the production of goods that it could manufacture more efficiently than the other nations while importing commodities that it could produce less efficiently. This worldwide specialization of production components would boost global output, which would be shared by trading nations. As a result, a nation does not have to benefit at the expense of other nations; instead, all nations can benefit at the same time.
In other words, a country should specialize in the manufacture or export of items in which it has a lower or absolute cost advantage over others, according to the thesis. The same country, on the other hand, should import a commodity with a higher cost or an absolute cost disadvantage.

Growth-Cum-Debt Theory

The subject of debt and how it impacts economic activities is addressed in this theory. This theory's claim is based on the concept that foreign borrowing should only be used for investment reasons, that is, to fill the gap caused by insufficient domestic investment and savings. The theory also shows how a country's debt carrying capacity may be calculated in terms of the advantages and costs of borrowing in the process of increasing foreign trade and achieving long-term economic growth. The model argument is that a country's ability to service its debts will be maintained as long as the debts accrued contribute significantly to overall growth. To determine this fact, a 'debt cycle' is proposed, in which the behavior of capital flows (debts) is documented and effective monitoring of the processes of the debts is instilled, which are directly related to the country's economic growth and development goals (Olasode & Babatunde, 2016).

This model's relevance to the study of financing and economic growth is based on its potential to collect financial resources for domestic investment in Nigeria. Despite its considerable contributions to the literature, its shortcoming is the lack of a theoretical foundation for its savings-investment gap. Since all loans to a country will be made in a foreign currency and repayment will be made in the same foreign currency, this may result in overpayment and depreciation of the debtor's currency. The "Debt Dynamics" theoretical explanation of foreign debts and economic activity claims that a country's solvency regarding external loans is connected with the rate of increase of the real interest rate of the debts and the GDP. According to this method, the government is functioning within its budget limitations as long as the planned fiscal policy stance maintains the debt-to-GDP ratio steady (or lowers it). Similarly, Eaton defined debt dynamics as the condition that "debt in any period cannot exceed the present discounted value of the borrowing

country's stock of wealth or future income stream," implying that "all sovereign borrowers are probably solvent in the sense that the discounted present value of their national resources exceeds the value of their national debt." According to the reviews, this study's theoretical underpinning is the dual gap theory. This is because, according to this hypothesis, Nigeria, as a developing country, may not have enough savings to fuel economic growth activities and, as a result, would have to borrow from commercial banks for investment.

Empirical Literature Review

Andersen and Tarp (2003) used a data set of less developed countries (LDCs) on financial liberalization, financial development, and economic growth. The time series econometric study revealed that a functional financial system can play a vital role in the process of economic growth; "we fully recognize that government involvement in the financial sector has had huge negative implications, and we believe that deregulation of the financial sector should be approached somewhere down the line".Paravisini et al. (2011) study the link between bank credit and export volume for a panel of Peruvian firms over the period 2007–2009. The findings reveal that a 10 percent drop in the supply of bank credit leads to a decrease of 2.3 percent in the volume of annual exports. This finding, therefore, underscores the need for adequate access to external finance to boost firms' export size.

Beck (2012) explored the role of the financial sector in economic growth. The study, through the use of a time-series data set spanning from 1980 to 2010, identifies the critical role of the financial sector within capitalist economies, a role with bright and dark sides. The result shows that bank fragility and banking crises are critical determinants of economic growth over time. Hence, it was recommended that the financial institutions be autonomous enough to stimulate production without political interference.

Nwakanma et al. (2014) evaluated the long-run relationship and the directions of prevailing causality between bank credits to the private sector and the nation's economic growth. The study concluded based on the Autoregressive Distributed Lag Bound (ARDL) and Granger Causality that bank credits have a significant long-run relationship with growth but without significant causality in any direction.

Marshal et al. (2015) looked into the impact of bank domestic credits on the economic growth of Nigeria using time series data from 1980 to 2013. The study employed credit to the private sector, credit to the government sector, and contingent liability as proxies for bank domestic credit, while gross domestic product represented economic growth. The results of the study showed that credit to the private sector (CPS) and Credit to the government sector (CGS) had a positive and significant effect on gross domestic product in the short run, while bank domestic credit had an insignificant effect on gross domestic product in Nigeria in the long run.

Sipahutar et al. (2016) explored the effect of credit on economic growth, unemployment, and poverty in Indonesia. The study employed Vector Auto-regression (VAR) and Error Correction

modeling (ECM) to examine the relationship between banks' credit and annual GDP per capita growth rates, unemployment, and poverty. It was found that there is bidirectional causality between banks' credit and economic growth.

Adewole et al. (2018) examined the relationship between deposit money bank credit and economic growth in Nigeria based on secondary data from 2006 to 2015 using multiple regression analysis. And it was revealed that there is a positive correlation between the dependent variable (Total Bank Credit) and the independent variable (Cash Reserve Ratio, Liquidity Ratio, Deposit Rate, Lending Rate), while the result of equation II indicates that there is a positive correlation between the dependent variable (GDP) and the independent variable (bank credit, Interest rate, lending rate, inflation rates).

Yusuf et al. (2020) investigated the impact of international trade on the Nigerian economy's growth. They estimated the data obtained via the Central Bank of Nigeria statistical bulletin from 1980 to 2018 using the Dynamic Ordinary Least Square (DOLS) multiple regression analysis technique. Except for the exchange rate, all of the explanatory variables were found to be positively related to economic growth. Furthermore, except for net export, all explanatory factors were statistically significant with economic growth.

Okunlola and Akinlo (2021) studied the impact of export promotion schemes on agricultural output growth in Nigeria. The autoregressive distributed lag (ARDL) model, ECM, impulse response function and variance decomposition were used to estimate annual time-series data for the period 198-0 to 2014. The export promotion schemes used for the study were the agricultural credit guarantee scheme fund (ACGSF), government capital expenditure on agriculture, government, and foreign direct investment in the agricultural sector. The result indicated that government export promotion schemes have positive impact on agricultural sector output.

Itah and Bidemi (2022) examined the impact of non-oil exports financing on economic growth in Nigeria. Annual time-series data covering the period 2000 to 2020. The autoregressive distributed lag (ARDL) model and the error correction model (ECM) were used to estimate the data. The findings revealed that non-oil exports financing has significant positive impact on real GDP while interest rate has significant negative impact on real GDP both in the long-run and short-run.

METHODOLOGY

Research Design
The main purpose of this study is to investigate the effect of foreign trade financing on per capita gross domestic product in Nigeria. This study therefore adopts the ex-post facto (after-the-effect) research design, which is a variant of the non-experimental research design. This is because it is a form of research that involves the collection of information that is already in place.

Model Specification

The mathematical form of the model is expressed as

PCGDP= f(NEXIMC, EXPORTS, IMPORTS, LOC, EXR)   (3.2)
PCGDPt= $\alpha_0 + \alpha_1$ LogNEXIMCt+ α_2LogEXPORTSt+ α_3LogIMPORTSt +
      α_4LogLOC t + α_5LogEXR +μt   (3.3)
Where:
PCGDP= Per capita Gross Domestic Product.
NEXIMC= Nigerian Export-Import Bank Credit to Foreign Trade
EXPORTC= Deposit Money Banks' Credit to Export Trade
IMPORT= Deposit Money Banks' Credit to Import Trade
LOC= Letter of Credit
EXR= Exchange Rate
α_0 = regression constant
u_t = Coefficients or parameter estimates
f = Symbol of functionality

The econometric form of the model is expressed as follows:
PCGDPt= $\alpha_0 + \alpha_1$NEXIMCt+ α_2EXPORTSt+ α_3IMPORTSt + α_4LOC t + α_5EXR +μt
(3.4)
Where α_0 is the regression constant; $\alpha_1 - \alpha_5$ are the coefficients or the parameter estimates and U is the error term. All other variables are as earlier defined.

Empirical Results and Discussions

Table 1: Augmented Dickey Fuller Unit Root Test for PCGDP Model

Variables	Level		First Difference		Order
	T-Stat.	Critical Value	T.Stat.	Critical Value	
LOG(PCGDP)	-2.302960	-3.529758	-4.295034	-3.526609	**I(1)**
LOG(EXPORTC)	-4.606594	-3.523623	-	-	I(0)
LOG(IMPORTC)	-1.190343	-3.529758	-7.091713	-3.529758	**I(1)**
LOG(EXR)	-1.364070	-3.523623	-5.835153	-3.526609	**I(1)**
LOG(LOC)	-3.014129	-3.523623	-6.215885	-3.526609	**I(1)**
LOG(NEXIM)	-3.363447	-3.526609	-3.812828	-3.526609	**I(1)**

Sourced: Compilation from EViews 10.05
Evidence from Table 1 illustrates the stationarity conditions of the time series data used in the empirical examination of the effect of external trade financing on economic growth in Nigeria. Unit root test is used to determine if a variable is non-stationary, (has a unit root) or stationary. A close look at the output shows that all the series became stationary after first differencing except export trade credit (EXPORTC). Hence, the series in the model were all integrated at mixed order of integration 1(1) and I(0). Given the above, we now proceed to estimate the bounds cointegration

test. The outcome of the bounds test will enable us to ascertain the presence or otherwise of a long-run cointegrating relationship among the series in the model.

Cointegration Test

Table 2: ARDL Bounds Test

Test Statistic	Value	K
F-statistic	5.958909	5

Critical Value Bounds

Significance	I0 Bound	I1 Bound
10%	2.26	3.35
5%	2.62	3.79
2.5%	2.96	4.18
1%	3.41	4.68

Sourced: Compilation from EViews 10.05

Drawing from ARDL bound test, we assert that a long-run cointegrating relationship exists among the variables in the equation. The presence of a long-run relationship is promised by the fact that the f-statistic value of 5.958909 is greater than the upper bound critical value of 3.79. In the event of the above, we proceed to estimate the long-run and short-run causation of the cointegrating relationship as well as the speed at which the disequilibrium will be corrected. The presence of the long-run relationship among the variables in the equation validates the estimation of ARDL, provided that the lag length is selected on the advice of the Akaike information criterion.

Table 3: Short Run Autoregressive Distributed Lag (ARDL)

Cointegrating Form

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DLOG(PCGDP(-1))	-0.193121	0.168025	-1.149363	0.2673
DLOG(EXPORTC)	-0.009259	0.008527	-1.085808	0.2937

DLOG(EXPORTC(-1))	0.014361	0.007869	1.825126	0.0867
DLOG(EXPORTC(-2))	0.000311	0.007887	0.039469	0.9690
DLOG(EXPORTC(-3))	0.014651	0.007697	1.903448	0.0751
DLOG(IMPORTC)	0.352079	0.103535	3.400574	0.0037
DLOG(IMPORTC(-1))	-0.004014	0.084403	-0.047563	0.9627
DLOG(IMPORTC(-2))	0.161653	0.081826	1.975575	0.0657
DLOG(IMPORTC(-3))	0.181586	0.070716	2.567810	0.0206
DLOG(NEXIM)	0.010177	0.025248	0.403080	0.6922
DLOG(NEXIM(-1))	-0.074108	0.040319	-1.838043	0.0847
DLOG(NEXIM(-2))	0.103160	0.035421	2.912441	0.0102
DLOG(LOC)	-0.054930	0.017075	-3.216911	0.0054
DLOG(LOC(-1))	-0.017363	0.016835	-1.031337	0.3177
D(EXR)	0.000265	0.000306	0.868079	0.3982
CointEq(-1)	-0.242293	0.063519	-3.814504	0.0015

R-squared	0.876494	Mean dependent var	12.48080
Adjusted R-squared	0.841893	S.D. dependent var	0.243706
S.E. of regression	0.021943	Akaike info criterion	-4.507881
Sum squared resid	0.007704	Schwarz criterion	-3.559805
Log likelihood	107.6497	Hannan-Quinn criter.	-4.170563
F-statistic	216.5795	Durbin-Watson stat	2.260801
Prob(F-statistic)	0.000000		

*Note: p-values and any subsequent tests do not account for model
    selection.

Evidence from Table 3 illustrates the short-run effect of the estimated equation. Specifically, the R-Square, which is the coefficient of determination valued at 0.876494 percent, indicated that the estimation has a good fit, while the adjusted R-Square value of 0.841893 shows that about 84 percent of the changes in per capita gross domestic product are caused by the combined efforts of variables in the model, while the other 16 percent were externally determined by variables outside the ones in the model. The error correction term appeared with the normal sign (-), and it is statistically significant since its probability value of 0.0015 is less than the threshold of 0.05. Therefore, the past disequilibrium will be adjusted at a rate of 23 percent annually. This also means that it will take (100/23) = 4.34, an approximate four years, three months, and four days to restore full equilibrium if the outcome of this research is considered for policymaking.

In the short run, the contemporaneous values of export trade credit with negative and positive values have insignificant coefficients because their probability values are greater than the 0.05 threshold. As such, we assert that export trade credit has no influence on per capita gross domestic products in Nigeria. These expositions are inconsistent with the expected apriori because economic theory predicts that when credit-to-export trade increases, it will stimulate economic growth through the increase in output and income.

In the short run, the coefficient of import trade credit (IMPORTC) and its third-year lag value (DLOG(IMPORTC(-3))) have a significant positive effect on the dependent variable. Therefore, a percentage increase in import trade export credit will amount to a 0.352079 percent increase on per capita gross domestic product in Nigeria, while its third-year increase in import trade export credit is 0.181586. The implication of such a causation is that credit granted to those involved in importations of finished goods, semi-finished goods, or raw materials in the country is responsible for the short-term recorded growths in per capita gross domestic product. This output is in line with theoretical expectations but runs parallel to long-run causality. Hence, we assert that the effect of import trade on per capita 0.181586 is more prominent in a business circle than in the long run.

In the short run, the coefficient of NEXIMC bank credit has an insignificant effect on the dependent variable, while its second-year lag value does. An increase in Neximc has no influence on the per capita gross domestic product (PCGDP) in Nigeria. The implication of such a relationship is that the state of economic growth in Nigeria has nothing to do with Nexim Bank loans to investors. This exposition explains the ineffectiveness of such a loan scheme, which was made possible by the federal government of Nigeria. On the contrary, the coefficient of the second lag, DLOG(NEXIM(-2)), with a positive intercept, has a significant influence on the dependent variable. Therefore, a percentage increase in the second-year lag value of the Neximc will, all things being equal, amounts to 0.103160 (10%). Meaning that a 10% increase in economic growth is associated with the previous values of the nexim credit in Nigeria. This exposition conformed with the expected apriori and could be attained due to the bank's ability to follow up on their loan repayment plans.

In the short run, the coefficient of letter of credit has a negative effect on the dependent variable, and it is statistically significant at 5%. Therefore, a percentage increase in the letter of credit will, all things being equal, amount to a 0.054930 (5%) decrease in economic growth in Nigeria. The sign of the estimate is consistent with the expected economic outcome because economic theory predicts that an increase in the money supply will increase investment. When the issuance of letters of credit increases, it will stimulate investment, increase employment and output, and amount to an increase in economic growth.

Finally, the coefficient of the exchange rate with a positive intercept has an insignificant coefficient. Therefore, an appreciation of the exchange rate does not have any influence on

economic growth in Nigeria. The implication of such a relationship is that the growth of the
Nigerian economy is not dependent on the rising exchange rate in the short run.

Table 4: Long Run ARDL Result

Long Run Coefficients

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOG(EXPORTC)	-0.195076	0.053906	-3.618828	0.0023
LOG(IMPORTC)	0.865316	0.402934	2.147538	0.0474
LOG(NEXIM)	-0.514096	0.097761	-5.258705	0.0001
LOG(LOC)	-0.323414	0.079537	-4.066187	0.0009
EXR	-0.002402	0.000718	-3.344419	0.0041
C	9.428468	5.406275	1.743986	0.1003

Table 4, presents the long-run estimation of the cointegrating equation. Evidence from the
estimated regression shows that credit to export trade LOG (EXPORTC) has a negative effect on
the dependent variable and is statistically significant at 5%. Therefore, a percentage increase in
credit to export trade will, all things being equal, amount to a -0.195076 reduction in per capita
gross domestic product in the long run. This exposition is inconsistent with the economic appraisal
and explains the long-term implications of the continued release of funds to importers in Nigeria.
The economic implication of such a causation is that the continued reduction in economic growth
in Nigeria can be traced to the increase in loans granted to exporters by deposit money banks.
Similarly, the coefficient of LOG (NEXIM) has a negative influence on the dependent variable
and is statistically significant at 5%. Meaning that an increase in Nexim bank loans will, all things
being equal, amount to a 0.514096 reduction in economic growth in Nigeria. This reduction is
inconsistent with the expected apriori because economic theory predicts that an increase in credit
will stimulate economic growth.

On the contrary, the coefficient of credit to import trade has a positive effect on the dependent
variable and is statistically significant at 5%. Therefore, a percentage increase in deposit money
bank credit to import trades in Nigeria will, all things being equal, amount to a 0.865316 (86%)
increase in economic growth. Meaning that the continuous increase in economic growth is
associated with the rise in loans granted to those who are involved in import trade. Finally, the
coefficient of the exchange rate has a negative and significant effect on the dependent variable.
Therefore, an appreciation of the exchange rate will, all things being equal, amount to a -0.002402
reduction in per capita gross domestic product in Nigeria. Meaning that the exchange rate

appreciation reduces the rate of economic growth in Nigeria in the long run. This exposition is consistent with the expected apriori and explains the reason behind the present state of the nation's economy.

Table 5 Post Estimation Tests

Normally Test	Skewness	Probability	Kurtosis value
0.1615613	-0.141646	0.922409	2.861613

Sourced: Compilation from EViews 10.05

Evidence from Table 5, illustrates the post-estimation of the effect of external trade and financing on economic growth in Nigeria. The significance of the post-estimation test is to validate the "blue" characteristic of the estimate equation. Therefore, we conclude that the series used in the estimation follows the normal distribution. This exposition is premised on the insignificant probability values of the normal test. On the other hand, there is no evidence of serial correlation in the estimated residual.

This assertion is based on the fact that the probability values of the serial correlation test are greater than 0.05. The test of normality shows that the probability values of the estimated skewness, kurtosis, and jarque-bera statistics are 0.1615613, 2.861613, and 0.1615613, which are greater than the 0.05 threshold. Hence, we conclude that there is a presence of homoskedasticity in the residual. To this end, we conclude that the estimated equation does not violate the basic principles of classical linear regression.
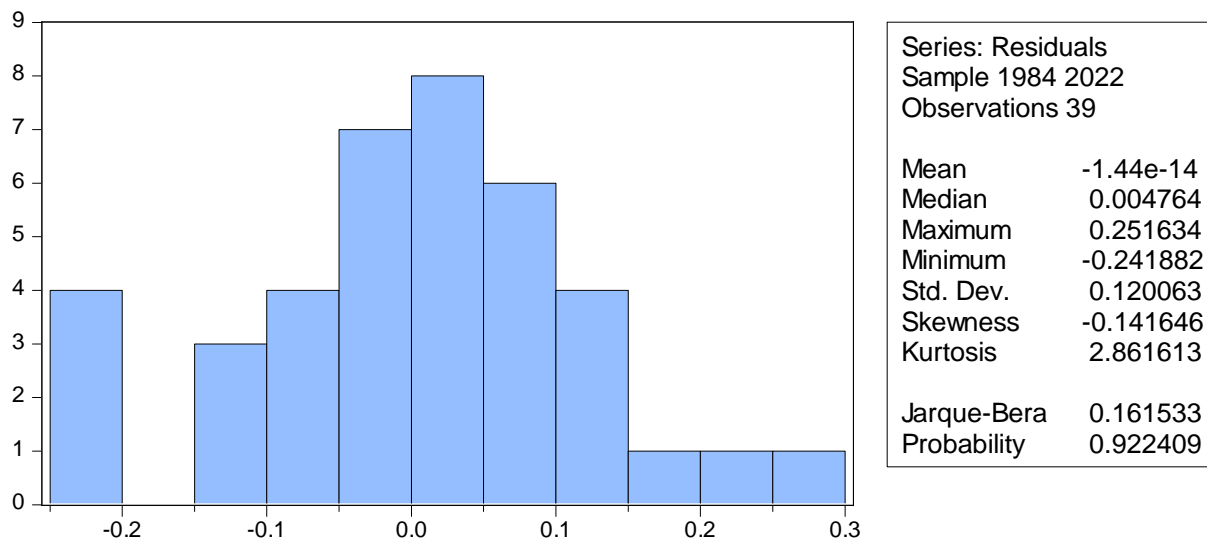
Post Estimation Test

Series: Residuals	
Sample 1984 2022	
Observations 39	
Mean	-1.44e-14
Median	0.004764
Maximum	0.251634
Minimum	-0.241882
Std. Dev.	0.120063
Skewness	-0.141646
Kurtosis	2.861613
Jarque-Bera	0.161533
Probability	0.922409

**Table 5: Breusch-Godfrey Serial Correlation LM Test:**

| F-statistic | 3.278462 | Prob. F(2,19) | 0.0598 |
| Obs*R-squared | 10.00590 | Prob. Chi-Square(2) | 0.0067 |

The table 5 above illustrates the post-estimation test for the study of the effect international trade financing on per capita gross domestic product (PCGDP) on maternal mortality in Nigeria. Given that, the F-statistic (3.278462), Obs*R-squared (10.00590) have probability values of 0.0598 and 0.0067 which are greater than the threshold of 0.05. We conclude that there is no presence of Serial Correlation in the residual.

Table 6: Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	0.675305	Prob. F(17,21)	0.7925
Obs*R-squared	13.78463	Prob. Chi-Square(17)	0.6823
Scaled explained SS	3.720179	Prob. Chi-Square(17)	0.9997

The test statistic shows that, there is no evidence of heteroskedasticity in the residual of the study effect international trade financing on per capita gross domestic product (PCGDP) in Nigeria. This assertion is premised on the fact that, the F-statistic 0.675305 (0.7925), Obs*R-squared 13.78463 (0.6823) and Scaled explained SS 3.720179 (0.9997) were greater than the threshold of 0.05.
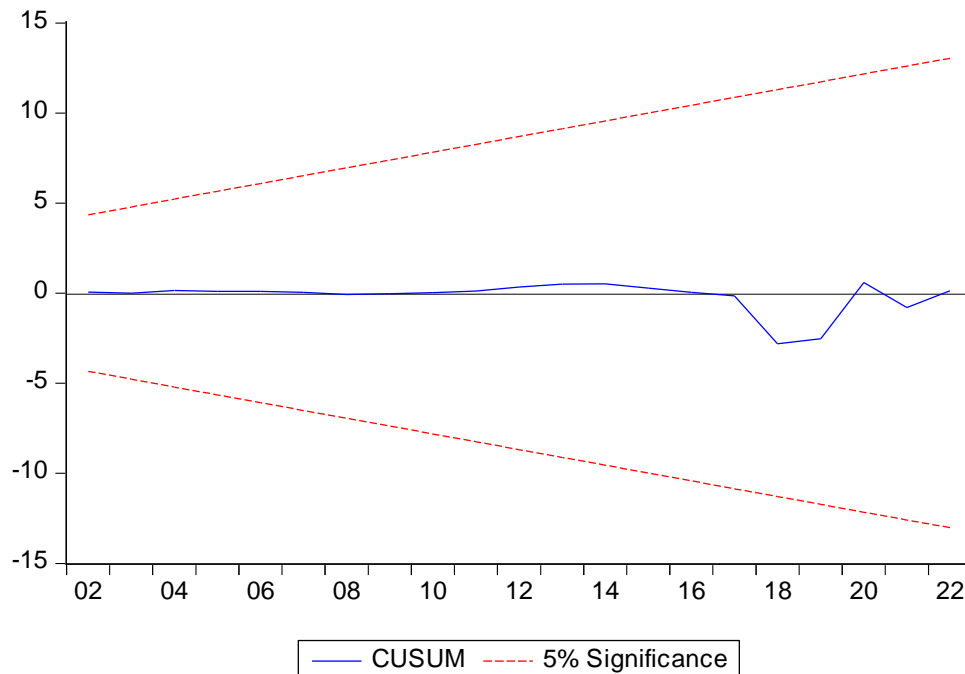
Finally, the stability condition of the estimated model is validated by the use of cusum test. The recursive plot shows that, the model is trable and falls withing the expectred 95% confidence intervals. Hence, we assert that, the basic assumptions of the classical least square are not voilated.

Conclusion

The study on the effect of external trade financing on economic per capita gross domestic product concludes that international trade financing using deposit money bank loans affected per capita gross domestic product negatively. On the contrary, the coefficient of credit to import trade has a positive effect on the dependent variable and is statistically significant at 5%. Meaning that the continuous increase in economic growth is associated with the rise in loans granted to those who are involved in import trade. Finally, the coefficient of the exchange rate has a negative and significant effect on the dependent variable. Meaning that the exchange rate appreciation reduces the rate of economic growth in Nigeria in the long run. This exposition is consistent with the expected apriori and explains the reason behind the present state of the nation's economy.

Recommendations

(i)   The federal government of Nigeria should promote export trade through the provision of sustainable social infrastructures such as trade, rails, airports, electricity supply, and other utilities.
(ii)   Infant industries should be allowed to face competition with their counters to enable them to improve the quality of export goods shortly
(iii)   Import trade should be more on capital-intensive goods where Nigeria has a disadvantage in either production or expertise.

Contributions to Knowledge

This study contributes to the existing knowledge by establishing that deposit money bank credit, neximc bank credit, and letters of credit are key drivers of economic development in Nigeria.

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