

## Empirical Investigation of oil And Non-Oil Export Earnings and Economic Development in Nigeria

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### **Abstract**

*The objective of the study is to assess the influence of oil and non-oil export earnings on economic development in Nigeria. The autoregressive distributed lag (ARDL) model was utilized for the short run and long run analysis. The data which were sourced from the Central Bank of Nigeria statistical bulletin and annual report and statement of account for various issues covered the period, 1986-2023. Accordingly, the study found evidence of long run equilibrium relationship between economic development and the independent variables. Specifically, the study found that in the short run, non-oil export earnings, oil export earnings, exchange rate and trade openness had statistical significant effect on economic development in Nigeria. Surprisingly, in the long run no relationship could be established between all four independent variables and economic development as the variables were statistically insignificant. Among other things, the study recommended that government and policy makers should focus more attention on the non-oil sector since the international prices for its products are less volatile thereby creating more stable revenue sources for the government. Finally, government should intensify diversification of the economy away from oil to non-oil exports such as agriculture, solid minerals and manufacturing products.*

**Keywords:** Oil export earnings, Non-oil export earnings, Economic development, Nigeria.

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### **1. Introduction**

The role of export as a key engine of growth most especially in an emerging economy has generated heated debates among economists. It has been argued that the growth of an economy through export promotion and economic diversification have assumed major objective of most developing countries' governments for which Nigeria is not left out (Uruakpa, *et al.*, 2021; Young, 2022). Exports play an important role in promoting economic growth through supplying the state's budget with earnings and foreign currency that can be used for improving infrastructure and creating an attractive investment climate. Promotion of exports improves the current account balance of a balance of payment in an economy which places the nation better in the global economy. Also, export promotion plays an important role in expanding the size of the local market and increasing the degree of competition that leads to improvement in a country's production and new technological processes (Ilori & Akinwunmi, 2020). The Nigerian economy depends mainly on imports with heavy reliance on oil and gas exports where contributions from

non-oil exports are considered little when compared to the contributions from oil. According to Efanga, *et al.*,(2020), revenue from oil and gas constituted the mainstay of the Nigerian economy. This was corroborated by Ebimobowei (2022) who averred that oil is the backbone of the Nigerian economy as it contributed about 90% of foreign exchange and approximately 80% of government revenue. In her quest for development, the Nigerian economy went through fundamental structural changes over the last four decades and evidence revealed that no noticeable changes have occurred and sustained economic growth and development has been strangled over the years (Godwin & Dagogo, 2013; Ideh, *et al.*, 2021).

At independence in 1960, the agricultural sector provided the major export earnings until the advent of crude oil in the 1970s which made agricultural productivity relegated to the back seat(Uruakpa, *et al.*, 2021). During the post-independence era, agriculture sector's contribution to the gross domestic product was over 60% and there was evidence that about 70% of employment of the population came from agriculture (Ohwofasa, 2016; Adama, *et al.*, 2022). Likewise, the food, raw materials and foreign exchange needs of the country also came from agriculture (Godwin & Dagogo, 2013). The exports from agriculture then were mainly cash crops made up of cocoa, coffee, cotton, wool, and palm oil as well as soya beans. In addition to agriculture, others in the non-oil sector include manufacturing, mining activities, transportation, information and communication technology (ICT) with very low export earnings thereby affecting their contributions to economic development. This made the country's participation in external trade to be anchored on agriculture output.

Available statistics from the CBN Statistical Bulletin (2023), the growth of non-oil exports stood at 47.2% in 1990 but fell to 17.7% in 2000. In 2010, the growth of non-oil exports rose to 44.9% and thereafter declined recording -3.8% and -4.2% in 2020 and 2023 respectively. The negative growth may have been occasioned by the fact that the economy entered into recession in 2016 and was yet to fully recover before the outbreak of the deadly covid-19 pandemic following which nations across the world were shut down to contain the spread of the killer virus. In the case of earnings from oil, the fluctuations in global oil price have continued to affect oil export earnings whose growth in 1990 stood at 10.6%. In 2001, the growth rate of earnings from crude oil export was -3.0% and increased to over 33% in 2011. It however declined to -31.9% in 2020 which was followed by a remarkable improvement in 2021 and 2023 as the growth of oil export earning stood at 65.7% and 67.3% respectively (CBN Statistical Bulletin, 2023).

A number of empirical studies in the extant literature have uncovered mixed findings. There were those whose findings established significant positive impact of non-oil and oil exports on economic growth in Nigeria (see for example Omotor, 2008; Ugwuegbe & Uruakpa, 2013; Aladejare & Saidi, 2014; Fiiwe & Turakpe, 2017). On the other hand, those who found significant negative impact of oil and non-oil exports on economic development include (Abayomi,*et al.*, 2015; Abubakar,2016; Adesoye, 2017). Yet, there were also those who do not find any relationship at all (Onodugo, *et al*, 2013). Thus, the debate on the effect of oil and non-oil-growth and development nexus is inclusive. It is against this backdrop that the current study is germane. Expectedly, the sequence of the paper is clear. Following the introduction in section one, the review of relevant literature is contained in section two while section three outlines the

models. In section four, the findings are presented whilst section five concludes the study with policy implications.

### **Statement of the Problem**

Nigeria depends heavily on the oil sector for most of the infrastructural activities, economic development and government spending. However, with the discovery of oil in some parts of the world, the lack of stability of the global economy and high volatility of oil prices, Nigeria's total export, most especially, oil export to major economies like China, India and the United States has significantly declined. The resource based growth strategy followed by Nigeria failed to improve economic development whereas most developing countries that followed industrialization strategy saw improvement in their economic development. Likewise, the fluctuations in export earnings from agriculture, solid minerals and manufacturing as well as volatile crude oil earnings have affected the finances of government. The sudden decline in export earnings reduced revenue thereby forcing government to cut its expenditures for important development programmes such as road construction and maintenance, housing, health, power, and so on with negative implication on the country's economic development. This made it difficult for government to provide basic infrastructures for the economy thereby causing distortion on the macroeconomic fundamentals.

### **Objective of the Study**

Specifically, the study seeks to:

- (i) Examine the effect of non-oil export earnings on economic development in Nigeria.
- (ii) Investigate the impact of oil export earnings on economic development in Nigeria.
- (iii) Assess the influence of exchange rate on economic development in Nigeria.
- (iv) Scrutinize the impact of trade openness on economic development in Nigeria.

## **2. The Literature**

Export generally means a process by which a country produces goods and services and sells them to a different country. Thus, oil export implies the production of crude oil namely oil and gas and selling them to different countries across the globe. In this regards, all the multinational oil firms that produce crude oil in Nigeria and sell to customers abroad are in the business of exporting since production of the product is undertaken in one country and later shipped to another country for sales. Exporting one's products offer a country an avenue to rapidly expand their market potentials. In Nigeria, petroleum products top the export basket usually obtained from bituminous minerals, petroleum gases and other gaseous hydrocarbons, vessels and other floating structures such as light-vessels, dredgers, fire-floats, floating cranes as well as other vessels (Akpan, 2009). On the other hand, non-oil export refers to exports that include telecommunication services, financial sector such as banking and insurance services, tourism services made up of hotels, restaurants, movies, parks, health services, carnivals, wholesale and retail trade, export trade, agricultural and manufacturing products. Therefore, non-oil exports consist of those visible and invisible exports that does not form part of oil export but rather contributes to the growth of the total export. They include agricultural products, manufactured products, solid mineral products such as coal, tin, columbite etc as well as services. In Nigeria,

non-oil exports are dominated by raw materials and agricultural commodities. For instance, the fourth quarter of 2023 saw non-oil exports dominated by cocoa, urea, sesame seeds, and aluminum alloys (Adegioriola, *et al.*, 2016).

In the case of economic development, it results not only from the growth in quantity and quality of resources and improved technology but also from a social and political structure that is conducive to such change (Myint & Krueger, 2016). It demands a stable but flexible social and political framework, capable of accommodating as well as encouraging rapid structural change. Therefore, economic development requires a social environment capable of resolving the inevitable interest group and sectoral conflicts that accompany such structural change as for example, the transition from land-based rural agrarian society to a highly skilled, urban-oriented industrial and service economy (Ricci, *et al.*, 2008). Therefore, economic development is a situation where major structural changes in the economy have occurred and still occurring. In this regard, all or major sectors of the economy will be considered as developed. These include information and telecommunication technology, construction and services sectors, agriculture, solid mineral and manufacturing sectors as well as transportation to mentioned but a few. All western economies such as the United States, Canada, United Kingdom, Germany, Belgium, Italy, Norway, France, and the Netherlands etc are experiencing economic development.

Theoretically, a number of theories exist in the literature that focuses on the role of export in economic growth rate and development. One of such theories is export-led growth hypothesis that postulates that export is an engine of growth in that it increases foreign exchange earnings, create employment, and improves balance of payment position while export oriented industries in the manufacturing sector witness remarkable development. Also, export leads to improvement in government revenue arising from taxes, levies and tariffs (Adenugba & Dipo, 2013). Likewise, export expansion will result in increased productivity through the potential for scale economies. In the same vein, expanding export tends to mitigate constraints associated with scarcity of foreign exchange thereby making an economy more accessible to the global markets (Lipsey & Chrystal, 2011; Mankiw, 2009). Meanwhile, the neoclassical supply side hypothesis stresses that export sectors possess the advantage of exposure to foreign competition as exports are among the channel through which economic growth takes place. The model assumes that export sector confers externalities on the non-export sector on the one hand, and on the other hand, the sector has a higher level of productivity than the non-export sector. Thus, the share of exports in GDP and the growth of exports are crucial factor that determine the overall growth performance of the economy (Feder, 1983). Furthermore, the neoclassical growth theory developed by Solow (1956) is anchored on the production function  $Y_t = f(K_t, L_t)A_t$ . In this model,  $Y_t$  is the output,  $K_t$  is defined as physical capital,  $L_t$  refers to the labour force while  $A_t$  is the index of overall productivity. According to Solow, positive growth rates can be sustained if and only if the decreasing returns to the accumulation of capital are offset by population growth, or if the marginal productivity of capital is constantly shifted upwards by technical progress. In balanced growth equilibrium, there will be no depreciation of the capital stock and, assuming that  $A_t$  is constant, output and capital will grow at the rate of population growth. The differences in the time path of the scale factor  $A_t$  explain the different growth experienced by countries (Ahmed, *et al.*, 2013).

From the empirical corridor, the relationship existing between export and economic growth and development has been one of the most researched areas of international economics. Basically, export in Nigeria is of two types, namely oil and non-oil exports. Prior studies in this area find mixed relationship as some find positive, others negative and yet some others could not find evidence of relationship at all. To this end, Adegioriola, *et al.*, (2016) averred that the recent free falls in crude oil earnings affected the level of funds shared among the three tiers of government in Nigeria. Their study made economic growth as a function of oil export, non-oil export, exchange rate, non-oil import and trade openness using data for the period, 1970-2014. The OLS model was employed by the study. Accordingly, the study found that economic growth responded significantly and positively to changes in non-oil export, oil export and exchange rate contrary to its negative response to changes in non-oil import in the period of review. Abubakar (2016) submitted that crude oil affected the ability of an economy to generate greater economic growth for an economy that possess such resources. He submitted that growth for resource poor countries is relatively faster than resource rich countries. His study examined the impact of oil dependence on economic growth in Nigeria by employing the autoregressive distributed lag (ARDL) model on data covering 1973-2013, the study found that oil dependence had significant negative impact on economic growth in Nigeria. The study uses oil rents ratio to GDP as a proxy for oil dependence.

Meanwhile, Raheem (2016) seeks to find out how oil and non-oil export affected economic growth in Nigeria for the period, 1981-2015. The econometric methods utilized for the study were the Johansen co-integration test, granger causality test and vector autoregressive (VAR) model. Accordingly, the study found long run relationship existing between economic growth and the two explanatory variables of oil and non-oil exports. Also, the study observed a unidirectional long run causality running from non-oil export to GDP. Finally, it was found out by the study that non-oil exports had significant positive impact on economic growth in Nigeria. Fiiwe and Morrison (2017) examined the impact of oil and non-oil exports on economic growth in Nigeria for the period, 1980-2015. Using co-integration test and the OLS methodology, the study found that a long run equilibrium relationship exists between oil export, nonoil export and economic growth. Also, the study indicated that both export components exerted significant positive impact on economic growth in Nigeria. Adesoye (2017) scrutinized the determinants of export demand in Nigeria for the period, 1970-2013. The ordinary least square methodology in conjunction with co-integration technique was utilized for the study. The study which made export volume as a function of domestic output, crude oil price, exchange rate, world income, and cost of doing business found evidence of long run relation among the variables. Also, the study observed that domestic output, world income and cost of doing business were the key determining variables. Adegboyega (2017) assessed the relationship between import, export and economic growth in Nigeria, 1981-2017. Utilizing vector autoregressive approach, the study found that own shocks and innovation in import and export trade affect economic growth in Nigeria during the period of review.

In a related study, Momodu (2017) appraised the impact of oil dependency on economic growth in Nigeria, 1981-2016. Using descriptive and trend analysis, the study found that lack of diversification from oil to non-oil sector coupled with fluctuations in the global price of crude

exerted debilitating impact on economic growth in Nigeria. In a study conducted by Osabohien *et al.*, (2019), the authors opined that export is a key channel to the economic progress of developing countries. Their study examined the connection between agriculture (non-oil) export and economic growth in Nigeria covering the data scope of 1986-2017. The ARDL model was utilized by the study to explore the contemporaneous dynamics. The study found that economic growth is significantly and positively responsive to changes in agricultural export in Nigeria at least during the period of review. In a similar study, Awoke, *et al.*, (2019) carried out a study to determine the response of economic growth to changes in non-oil export in Nigeria, covering a data span of 1981-2017. The ARDL model was adopted to explore the contemporaneous dynamics among the variables and the study found evidence of long run relationship between non-oil export and economic growth. Further, the study found that economic growth is significantly and positively responsive to changes in non-oil export in the short run.

In Saudi Arabia, Khan, *et al.*, (2020) submitted that the basic argument has been to diversify the economy away from oil to non-oil for impactful growth. Their study explored the impact of oil and non-oil export earnings on economic growth for the period 2005-2019. Utilizing the Johansen co-integration test and vector error correction models the study found that oil and non-oil export had significant positive impact on economic growth in Saudi Arabia. However, the study failed to find evidence of causality relationship between the variables. The study advocated for the need to grow the non-oil export sector for enhancement of economic performance in the Saudi economy. On the other hand, Uremadu, *et al.*, (2020) examined the effect of non-oil revenue on economic growth in Nigeria covering the period 1994-2017. The additional independent variables in the model include agricultural revenue, mining revenue, manufacturing revenue as well as value-added tax revenue. The study found evidence of long run equilibrium relationship between the dependent and the explanatory variables. Specifically, the study further found that economic growth is significant and positive responsive to changes in value added tax both in the short run and long run. Also, the study found that manufacturing revenue exerted significant positive impact on growth in the long run. However, the impact of agricultural and solid mineral revenue on growth is statistically insignificant. The study employed the autoregressive distributed lag bound testing approach to co-integration for the contemporaneous analysis. The paper advocated increase expenditure on the agricultural, solid mineral and manufacturing sectors to boost output and revenue in Nigeria. Ilori and Akinwunmi (2020) argued that the recent crash in crude oil price occasioned by the advent of COVID-19 pandemic severely affected the revenue of government in Nigeria. Their study assessed the extent of the effect of oil and non-oil revenue on economic growth in Nigeria. Employing co-integration and error correction model on data covering 1989-2018, the study found a significant negative impact of oil and non-oil revenue on economic growth in Nigeria. Surprisingly, the study observed that exchange rate exerted significant positive impact on growth in the period of review.

In the same vein, Ideh, *et al.*, (2021) examined the effect of non-oil earnings on economic growth in Nigeria covering the period, 2000-2019. The vector auto-regression and causality techniques were employed for the study. The study found that earnings from non-oil had significant positive impact on growth in the long run and therefore recommended that holistic diversification of the economy should be considered so as to stimulate sectors such services, solid minerals and

agricultural sectors for sustainable growth. Uruakpa, *et al.*, (2021) conducted a study to unravel the relationship existing between oil and non-oil exports and economic growth in Nigeria spanning the period, 1985-2019. Using the OLS methodology, the study observed that the effect of oil and non-oil exports on growth is significantly positive with the magnitude of oil significantly higher than that of non-oil exports. The study recommended that government should do more to step up productivity of the non-oil sector like agriculture and manufacturing so as to boost their values for exports. Young (2022) argued that the neglect of the country-specific circumstances and incoherent implementation of policies by government account for the continued decline in the share of export earnings in government revenue. The study employed the vector autoregressive methodology on data spanning 1960-2019 to evaluate the relationship between non-oil export, diversification and economic growth in Nigeria. Accordingly, the study found evidence of significant impact of economic diversification on growth in Nigeria. He advised that the dimension of diversification must be broad-base. Ebimobowei (2022) explored the relationship between crude oil export and economic growth in Nigeria with data covering the period, 1990-2019. The explanatory variables, apart from oil export, include petroleum profit tax, oil licensing fees, domestic crude oil sales as well as exchange rate. The OLS technique was employed for the study and findings indicated that economic growth is significant and negatively responsive to changes in oil export contrarily to its significant and positive response to changes in petroleum profit tax. The findings informed the conclusion of the study that oil revenue is a key significant variable in the Nigerian economy. Accordingly, the study suggested for the efficient utilization of oil revenue by way of investing it on strategic developmental projects so as to mitigate the level of poverty in the country.

An important observation from the extant literature reviewed therefore is that most of the studies investigated the impact of oil and non-oil exports on economic growth. To this end, growth is a narrow concept of development and these studies employed the GDP as a proxy for economic growth. To reflect development that is more encompassing, the current study used human development index as a proxy for economic development.

### **3. The Methodology**

The variant of the neo-classical model of growth which considers how changes in factor inputs and technological know-how affects the level of output growth in an economy is adopted for the study. Using the Cobb-Douglas production function, the neoclassical model is specified as follows:

$$Y_t = f(L_t, K_t, A_t)$$

Where: Y = real output, L = labour, K = capital and t is time trend while A is total factor productivity which has been defined as exogenous variables. The estimation technique for the study is the bounds testing approach to co-integration developed by Pesaran, *et al.*, (2001). The autoregressive distributed lag model is employed to enable the estimation of both long run and short run model to be carried out simultaneously. This method circumvents going through going through the Engle-Granger co-integration route. Initially, the ARDL model is conducted by going through the VAR route in order to identify the lag length for the respective variables in the model. Following the advancement in the eview software there is therefore no need of going

through the VAR route as the higher eview package does the estimations encompassing the short run and long run simultaneously including the F-stat and the unrestricted error term. The linear model in line with Osabohien, *et al.*, (2019) and Awoke,*et al.*, (2019) specifies the impact of oil and non-oil exports on economic development in Nigeria for a data period, 1986-2023 as follows:

$$HDI_t = \beta_0 + \beta_1 InOIL_t + \beta_2 InNOIL_t + \beta_3 InEXC_t + \beta_4 InTOP_t + \varepsilon_t$$

Where: HDI = human development index, OIL = oil export earnings, NOIL = non-oil export earnings, EXC = exchange rate, TOP = trade openness (i.e., export + import/GDP). Similarly,  $\beta_0, \beta_1 - \beta_4$  are constants and coefficients to be estimated respectively. Finally,  $\varepsilon$  is white noise error term and  $t$  is time trend. It is expected that changes in oil export earnings, non-oil export earnings and trade openness should have direct influence on economic growth. On the other hand, the response of the latter to changes in exchange rates could take either direction. In order to avoid integration of order 2 variable, unit root test was conducted as ARDL model requires only the integration of order 0 and 1 variables.

#### 4.0 Presentation and Analysis of Results

**Table 1: Unit root test results**

Augmented Dickey Fuller (ADF) Test				Phillips Peron (PP) Test		
Variable	Level	1 <sup>st</sup> Diff	Order	Level	1 <sup>st</sup> Diff	
LHDI	-3.74	-	0	-3.82	-	0
LOIL	-2.05	-9.01	1	-3.12	-13.08	1
LNOIL	-2.54	-4.62	1	-2.64	-13.20	1
EXCR	-2.63	-6.12	1	-2.63	-6.39	1
TOP	-3.48	-5.52	1	-3.40	-14.24	1
C.V. = 5%	-3.54	-3.55		-3.54	-3.55	

*Source: Extracted from Eview 12*

Table 1 indicates that HDI is stationary at level while the rest of the variables namely, crude oil export earnings, non-oil export earnings, exchange rate and trade openness were stationary during first differencing at 5% significant level. Thus, with stationarity achieved either at level or first differencing a major requirement for the ARDL model has been satisfied. Accordingly, the ARDL estimation is conducted and Table 2 shows that all necessary diagnostic tests were performed to avoid the situation of spurious results which indicates that the model passes the diagnostic tests and is satisfactory in that it is normally distributed, serially uncorrelated and has no evidence of misspecification bias.

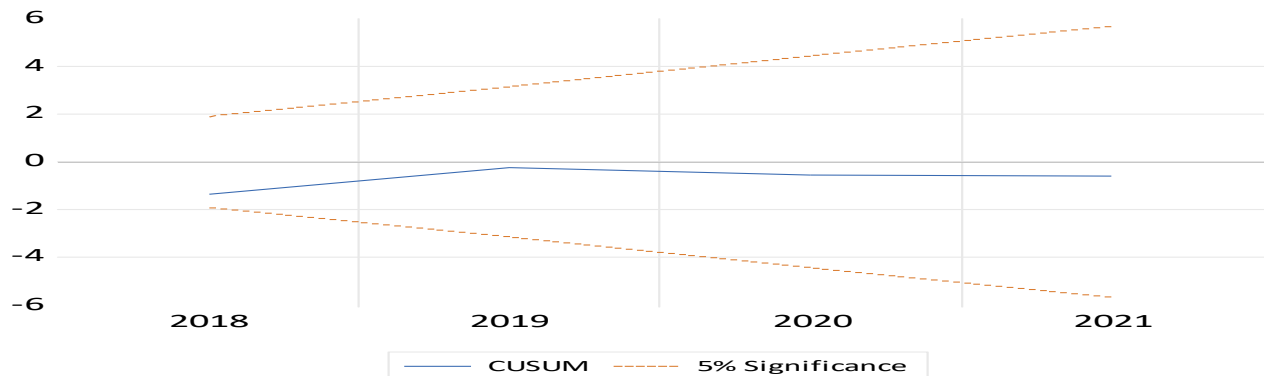
**Table 2: Summary of Diagnostic Tests**

Test	F-Statistics	Probability	Decision
Jarque-Bera (Normality) Test	1.24	0.34	Normally Distributed
Breusch-Godfrey Serial Correlation	2.09	0.32	No Serial Correlation
Ramsey Reset	2.23	0.23	No Misspecification

*Source: Extracted from Eview 12*



Also, Fig 1 shows that the model is stable in that the cumulative sums of recursive residuals lie within the 5% critical bounds. This implies that the findings from the study can be used for policy forecast.



**Figure 1: Stability Test (CUSUM PLOT)**

In Table 3, the bound co-integration test is presented which revealed that the F-statistic of 11.29 exceeds the upper bound value of 3.49 thereby suggesting the presence of long run equilibrium relationship between economic development and its determinants, namely crude oil export earnings, non-oil export earnings, exchange rate and trade openness.

**Table 3: ARDL Bound test for co-integration**

F-Statistic	5% Level	
	I(0)	I(1)
K		
4	2.56	3.49
F-statistic = 11.29		

Source: Extracted from Eview 12

With evidence of co-integration confirmed, the long run dynamic model in Table 4 depicts good fit as the  $R^2$  is relatively robust suggesting that the independent variables account for 71% variations in economic development in Nigeria. Also, investigation reveals that the model is statistically significant at 5% level while the DW statistic indicates absence of either positive or serial correlation. Essentially, the long run result therefore revealed that oil export earnings and exchange rate had positive relationship with economic development but statistically insignificant. Also, the effect of non-oil export earnings and trade openness on economic development is insignificantly negative. Illustratively, the findings have one thing in common namely, that the impact being induced by all four independent variables does not have effect on economic development in the long run. This is similar to the findings of Uremadu, *et al.*, (2020) in Nigeria and Khan, *et al.*, (2020) in Saudi Arabia.

**Table4: ARDL Long Run Dynamic Regression**  
**Dependent Variable; LHDI**

Variable	Coefficient	Std error	t-statistic	Probability
Constant	-1.12	0.14	-8.03	0,00
LOIL	0.05	0.03	1.79	0.08
LNOIL	-0.02	0.03	-0.72	0.48
LEXCR	0.01	0.02	0.73	0.47
LTOP	-0.02	0.01	-1.19	0.24
R <sup>2</sup>	0.71			
DW	2.06			
F-Stat	18.77			

Source: Extracted from Eview 12

Table 5 shows the ECM which signifies that the speed of adjustment to restore equilibrium between the short run and the long run carries the usual negative sign and is statistically significant at 1%. Likewise, the model shows that it takes approximately a speed of about 32% to correct any disequilibrium between the short and the long runs when it occurs. A critical look at the results revealed that all the independent variables account for 71% variation in economic development. Similarly, the DW statistic shows absence of serial correlation. The results therefore show that while non-oil export earnings exerted significant positive effect on economic development, the influence of oil export earnings, exchange rate and trade openness on economic development is negative and statistically significant in the short run. These findings give credence to the results of Ugwuegbe and Uruakpa (2013), Aladejare and Abdulwahab (2014), Adegoriola, *et al.*, (2016) and Ilori and Akinwunmi (2020).

**Table 5: ARDL Short Run Estimation**  
**Dependent Variable:DLHDI**

Variable	Coefficient	Std error	t-statistic	Probability
DLHDI(-1)	-1.49	0.09	-15.95	0.00
DLOIL(-1)	-0.10	0.01	-7.66	0.00
DLNOIL	0.15	0.01	13.71	0.00
DLEXCR(-2)	-0.06	0.01	-6.73	0.00
DLTOP	-0.02	0.00	-6.90	0.00
ECM(-1)	-0.32	0.03	-12.34	0.00
R <sup>2</sup>	0.71			
DW	2.06			

Source: Extracted from Eview 12

The results explain why the rate of economic development in Nigeria has been very little despite the huge revenue raked in from the sales of crude oil at the global market. Two reasons can be adduced why revenue from export sales particularly crude oil export could not translate to increase in economic development. The first is high level corruption by government officials who indulge in embezzling public funds to the detriments of the general public. This leads to a

situation where the money realized from crude oil sales goes into the pockets of few politicians and government appointees. The second reason is bad governance which accounts for inconsistent anti people policies that left the rural areas, where agricultural produce is being untaken, to be undeveloped and abandoned. For instance, there are no motorable roads to bring to the cities products of agriculture. This couples with lack of electricity, functional hospitals and other social amenities. The result is that able-bodied youth are moving in drove to the cities in search of white collar jobs that are severely in short supply.

### **5. Concluding Remarks**

The study focused on the effect of export earnings on economic development in Nigeria where export earning variable is disaggregated into oil export earnings and non-oil export earnings while exchange rate and trade openness variables were included in the model as control variables. On the other hand, the dependent variable is human development index used as proxy for economic development. The data covered the period, 1986-2023. It was observed from the findings that both crude oil export earnings and non-oil export earnings could not exert any meaningful impact on economic development in the long run. For exchange rate and trade openness, it was the same story and in fact non-oil export earnings and trade openness exhibited the tendency towards reducing economic development in the long run during the period under review. In the short run, it was noted from the empirical findings that both crude oil export earnings and non-oil export earnings rather than stimulate economic development actually diminished it. Therefore, the major conclusion for this study is that policies should be targeted towards the export sector in such a way as to unleash both short and long run effects on economic development. The study therefore recommended the need for urgent diversification of the economy which implies moving away from oil economy to non-oil. Secondly, government and policy makers should focus more attention on the non-oil sector since the international prices for its products are less volatile thereby creating more stable revenue for government. Finally, policy makers should ensure a moderate exchange rate alignment that will act as stimulus for exports as excessive devaluation in the value of the naira has tended to undermine the rate of economic development.

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