Nigeria's Current Account and Capital Account Balances as Contributors to Economic Growth

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Abstract
This research study was conducted on Nigeria's current and capital accounts and economic growth in Nigeria from1981 and 2016. The methodology used in testing the hypotheses was simple regression where the current accounts and capital accounts balances were the determining variables varying the magnitude and direction of economic growth proxied by GDP at current account balances. The findings indicated that for the first hypothesis, current account balances had a positive but not significant effect on the economic growth hence the null hypothesis was rejected. In the second hypothesis the null hypothesis was also rejected since there was evidence of a positive and not significant impact on capital accounts on economic growth .In conclusion, Nigeria's economy is heavily dependent on crude oil for decades and the fact that it is dependent on imports including refined crude oil has further exacerbated its balance of payment deficit further causing currency depreciation and lower foreign currency reserves and increased debts. Okore and Onoh (2013) in their study of the impact of capital account liberalization in Nigeria's economic growth concluded a negative and non-significant impact. This sad state of affairs coupled with policy inconsistencies and corruption have further compounded our foreign currency woes leaving the economy vulnerable to shocks in oil prices. The government should pay more attention to diversifying away from oil to other viable sectors including the agricultural sector.
With abundant natural resources, mineral deposits, fertile land and enormous human capital that Nigeria has a wide range of incentives to diversify its economy. Macro-economic stability and supportive regulatory and institutional frameworks are key prerequisites for economic government by insulating the economy from the impact of oil price volatility is necessary to lay a sound foundation for economic diversification. The public sector should enable, not compete with, the private sector to support economic diversification.

1.0 Introduction

This study analyses the relationship between export components and economic growth. The intention of this project is to investigate the linkage of primary exports to economic performance in Nigeria. Prior investigations conducted in Namibia on the relationship between exports and economic growth. One such study is that of Niishinda and Ogbokor (2002) which find a positive relationship between the two variables.

The growth-theory indicates that growth in export is relevant in enhancing economic growth and development. Different vindications have been advanced to narrate the export and growth relationships. First, the export growth is likely to stimulate factor productivity growth through its positive impact on higher rates of capital formation. Second, the exports growth will help to relax the foreign exchange constraints, thereby facilitating imports of capital goods and hence faster growth. Third, competition from overseas ensures an efficient price mechanism that fosters optimum resource allocation and increases the pressure on industries that export goods to keep costs relatively low and to improve technological change, thereby promoting economic growth Chien & Bwo (2002).Therefore, logically, the above arguments suggest that exports contribute positively to economic growth.

In many emerging economies such as Nigeria previous studies indicate as relationship between Gross Domestic Product (GDP) and exports in several flash points when the effects of markets and implementation of government policies such during the introduction of the Structural Adjustment Programme (SAP) in 1986 and the subsequent recession in the subsequent quarters the next year and of course recently in 2016/2017. Domestic economic growth is exposed to the risks of falling commodity prices and highly volatile exchange rate in any Country. Which makes diversification of the economy.

Considering the fact that the main exports for Nigeria consist of crude oil receipts there is a possibility of a downward pressure on a foreign reserve revenues and subsequently the monthly import cover which is likely to undermine growth. Moreover, crude oil prices continue to plummet, given the country's heavy dependence on oil, then the economic growth could slow down. Full employment is unlikely to be reached when the country rely more on not just one major source of revenue but when the industry is very volatile mainly due to political happenings in the middle east and the recent breakthroughs in clean energy as an alternative answer to oil energy. It is against this background that this study draws its primary interest. Therefore, the objective of this study is to investigate the casual relationship between exports and economic growth in Nigeria.

The study of economic growth cannot be properly discussed without mentioning trade as an engine of economic growth, be it domestic trade or trade with other countries. The new classical economist, for example, drawing on evidence from the nineteenth century, likened trade to an "Engine of Growth" Nurske (1961). Also Krauis (1970) dubbed trade to be the "handmaiden of growth". It has become imperative for every government to pay keen attention to matters relating to trade especially how to attain a higher real productivity in the export sector.
Exports are goods and services produced domestically and purchased by foreigners. Net exports are the difference, between total exports and total imports. According to Afolabi (2011), exports can be defined as surplus goods and services of a country that are sent to other countries in the world for sale.

Since 1950, the world economy has experienced a massive liberalization of world trade, initially under the auspices of the world. Trade organization (WTD), which replaced the GATT in 1993 tariff levels in both developed and developing countries has reduced drastically, averaging approximately higher, also, non-tariff barriers to trade such as quotas, licenses and technical, specifications are also been gradually dismantled, but at a slower rate when compared with tariffs.

Nigeria, like other developing countries in Africa, started as a purely Agrarian economy. Nigeria major agricultural produce includes beans, cocoa, groundnut, palm oil amongst others.

These products accounted for over so percent of Gross Domestic Product (GDP) and were the main source of export earnings and public revenue. The Nigeria government in 1999, banned the importation and exportation of many goods Encyclopedia of the nation (2017). Again following the discovery of oil and buoyant oil revenue, in the 1970's agriculture was relegated to the background; this is a result of crude oil constituting about 90 percent of total export. However, in 1980's the world's oil prices collapsed. The collapse resulted in drought in oil earnings and budgetary receipts without a proportionate slow down fiscal and external depicts, government resorted to heavy borrowing from the banking system, international financial institution and depleting of external reserves. The subsequent decline in foreign exchange earnings also triggered an unperfected economic crises according to motor and Ike (2006). It is in response of these immense problems that structural Adjustment program (SAP) was introduced in. This was aimed at liberalizing and diversifying the economy SAP was designed to pay more attention to export, especially in the agricultural sector, which witnessed the wost neglect the adoption of SAP was followed by the formulation of several export promotion strategies and polices, especially on manufacturing export.

However, economic growth is often measured in terms of the level of production within the economy, the Gross Domestic product (GDP) as well as the rate of physical capital accumulation among other possible measures according to Zakaria (2008). Majority of scholars accept economic growth as an increase, in the level of national income and output in a country. According to Nnama (2004), Economic growth is referred to as a quantitation change in economic variables, normally persisting over successive periods. He added that the determination of economic growth are availability of natural resourced, rate of capital formation, capital output ration, technological progress, dynamic entrepreneurship and other factors. These is no doubt that Nigeria is blessed with vast natural resource that can make; the country become a big player in international, market and this achieve economic growth through trade, but only crude oil constitute the largest portion of Nigeria's export, thus conducting a study on a causal relationship between export and economic growth in Nigeria is of great significant in this globalize and technologically advanced era.

Economic growth is one of the essential determinants of economic welfare. The relation between exports and economic growth has been frequently discussed when analysing the degree of economic prosperity among different countries. Exports represent one of the most valuable and substantial sources of foreign exchange revenue and are one of the fundamental components of international trade. This argument dates back to the classical economic theories by David Ricardo, who claimed that international trade has a major influence on economic growth.
The theory of international trade is one of the earliest branches of economic ideologies. Trade policy is an essential tool in accomplishing the objective of sustained economic growth. Increased trade openness and trade liberalization has established the foundation of dynamic gains from trade.

The neoclassical approach supports the concept of comparative advantage, where gains from trade arise from diverse factor endowments and technological progress. A fundamental principle of the neoliberal paradigm on globalization is the belief that increased trade openness through eradication of trade barriers is the solution to improved global prosperity. The importance of exports in trade liberalization growth strategies has been evident since the failure of the Import-Substitution Industrialization strategy and debt crisis in the 1980s. Consequently the adoption of export promotion strategies and trade integration has taken place, with many

of the developing countries instituting reforms aiming at export expansion and eliminating trade barriers.

According to prevalent economic theory, lack of trade openness will deteriorate the economic growth. If a country imposes restrictive policies as high trade tariffs or quotas, this will prevent other countries in wishing to engage in international trade. These enforced barriers will obstruct trading partners in sending exports and receiving imports. In order to aid the economic development, governments impose economic policies which remove trade barriers, such as tariff rates. These measures are established under trade liberalization policies.
Due to the liberalization wave initiated in the last decades, economists have discussed the different links and causality between trade openness, economic growth and income distribution (Rodriguez and Rodrik, 2001).

Policies focused on the expansion of external markets promote product development and expose domestic industries to foreign competition. Empirical research has proven that, in the long-run, more export-oriented countries have recorded improved economic growth performance. The volume of trade indicates the extent of a country's integration in the world economy, prompting greater market opportunities and increased international competition. This leads to more efficient use of domestic resources, economies of scale, access to new technologies through foreign capital inflow and promotes innovation. A prominent example in support of the success of these theories is the remarkable economic growth and rapid industrialization exhibited by the four East Asian Tiger economies (South Korea, Singapore, and Hong-Kong, Taiwan).

During the post liberalization period, the role of exports on the economic prosperity in developing countries has become a widely researched topic. Exports can assist in the integration process of countries in the international market and diminish the effect of external shocks on the domestic economy. Systems which stimulate export expansion have exhibited improved economic growth by inducing positive externalities through means of specialization, efficient resource allocation, improved production capacity, scale economies, increased capital formation and domestic production through import of capital and intermediate goods. Through the revenue generated from exports, developing countries have the opportunity to import capital equipment and raw materials which are further contributing to the economic

Research Problem
Prior to oil discovery, the Agricultural sector has been the largest export sector for Nigeria. However, the oil boom which, occurred in 1970's made the relevance of Nigeria's agricultural sector in the global market to whittle away the focus of the government crude oil exports led to the neglect of the agricultural sector, hence reducing the overall productivity of the economy, Aluke et al (2014). According to Abebefe (1995) Nigeria's over-dependence on crude oil is dangerous because crude oil is a casting asset with a proven reserve which would eventually become depicted and the volatility of the oil market has resulted in a significant, decline in the earnings because of the exogenous, determined price of crude oil.
One of the major obstacle why benefits of foreign, trade cannot be translated into economic growth is the macroeconomic, policy distortions resulting from the trade which turned the country into an import dependent economy John and Omolayo (2012). The import of the country grew from ₦0.7billion in 1970 to over ₦562 billion in 1996 and later increase to ₦1,266 billion in 2001, CBN Annual Report (2009).

The World Bank report (2002) stresses that inability of many, countries in sub-saharan African to efficiently utilize the gains from trade contributes to their economy. Despite the growth of international trade in Nigeria (One of the Sub-saharan African countries), the growth of the manufacturing sector has not been encouraging, which questioned the role of the manufacturing sector in the affective transformation, of gains from trade to sound economic development World Bank statistical Bulletin (2003). Despite the challenges, how then has the gain from international trade transform into economic growth in Nigeria? There is the need for a comprehensive evaluation of the role of international trade in promotion of economic growth in Nigeria. It is against this backdrop that makes it pertinent to conduct this research work that would critically examine the caused relationship between international trade and economic growth in Nigeria.

Objectives of the Study
The main objective of this study is to evaluate the relationship and contribution of export on economic growth in Nigeria. But this research will specifically focus on the following objectives;

    i. To investigate the relationship between export trade and economic growth in Nigeria

    ii. To examine the relationship between exchange rate and economic growth in Nigeria.

    iii. To investigate the impact of balance of payment on economic growth in Nigeria

Research Hypotheses
Hypothesis One
Ho$_1$: There is no significant relationship between current accounts and economic growth in Nigeria

Hypothesis Two
Ho$_1$: There is no significant relationship between capital accounts and economic growth in Nigeria

2.0 Literature Review
The theory of economic growth and the theory of international trade, during the classical period constituted two inseparable branches of economics. In this epoch, it was believed that international trade had a causal relationship with economic growth. Later, during the 'neo classic period; these two theories became autonomous relatively to each other. Consequently, the importance of international trade was neglected in the context of economic growth, especially until the 1960's. Recently, with the introduction of models of endogenous growth, both theories have merged again.

Basic/Reasons for International Trade
The importance of international trade cannot be gain said; since no modern society can live in isolation. Nationals cannot do without external trade for many reasons including the following;

    1. Trade are variations in the natural endowment of countries, it is not possible for a country to produce perfectly and sufficiently all foods that are available in the world, and therefore, there must be interdependence among nations. For example, Nigeria exports cocoa, oil and soya beans while Germany exports cars, medical equipment etc. in return, these countries do import those items which they need but are not endowed with.

2. The climatic condition of various areas and regions of the world differs. This apparently limits the ability of each country's production to what her climate is basically good for example cocoa is cultivated in Nigeria and cannot be found in commercial quantity in Europe.

3. The skill or dexterity possessed by people in different endeavors to a great extent increases the necessity for a country to partake in international trade. The fact, has contributed largely to international trade. The Swiss are known for the production of wrist watches, they are adapt in it, Japan for electronic etc.

Benefits of International Trade

1. The emergence of international trade has increased the output of the world as a result of specialization based on principle discussed (that nations produce gods for which their resources are maximally utilized) and hence consumption is corresponding increased. Conversely, increase in consumption may also lead to increase in output.

2. The above factor has brought about increase in the standard of living of people in the world because through trade every protest becomes accessible notwithstanding the country of production. A country in an African setting which might have never thought of computers can now purchase and make use of it.

3. Continued mutual co-existence, understanding and interdependence is to a consideration extent guaranteed since most of the countries in the world have trade links and agreements with one another.

4. Economic development is gingered, for no country, no a continuous basis will appreciate being a net importer. Development of exports is enhanced aiding economic development of nations.

5. International trade creates room for transfer of technical know-how and a cross fertilization of ideas among the countries of the world. The economic set up becomes more dynamic and sophisticated. Simultaneously, professionals are faced with challenges and these have made them to be more innovative. Also, tribal, conventional, societal, religious inhibitions and ethnocentrisms diminish fast, giving way to more interaction and adaptation to all class and creed of people in different parts of the world Mustapha et al (1990).

Problems Inherent in International Trade

Until domestic/local trade, international trade is fraught with numerous problems which ought to be gotten rid of for trade to be effective. Some of the problems of international trade include; language barriers, trade barriers, exchange controls, distance and transport etc. in this study; we will discuss only three(s).

1. **Distance and Transport:** Distance creates a great difficulty in international trade, it results in transport problems, high costs etc. A case in point is that of Australia with very little volume of trade with a country like Nigeria. For Nigeria to really trade with Australia, the prime consideration will be the distance because, comparatively Nigeria is very far for – Australia hence, Nigerians will be reluctant to trade with the country because of high cost of transportation likely to be involved.

2. **Lack of Trade Liberalization:** Trade liberalization is a not prevalent in every country of the world. The other words, most countries have legislations like total or partial ban on importation, tariffs, levies, quota restrictions etc. which vitiate the trading system. In some instance, one often comes across restriction in some quarters not withstanding claims of trade liberalization.

3. **Exchange Controls:** Exchange control like trade regulation is a means by which a nation can put a check on the external reserve and foreign exchange position so as to

protect the value of her currency and as a result, help her economic growth. This type of control is however detrimental to the purpose of international trade. Trade is hindered where embargo or similar restrictions are placed on foreign exchange payment, etc.

Classical Period: Internatial Trade and Growth

Since the classics did not distinguish the questions of economic growth (EG) from the questions of international trade (IT), the examination of this problem leads us to the classics main models of IT.

As far as the interaction between IT and EG IS concerned, there are (2) main ideas to point out in Smith (1776). On one hand, IT made it possible to overcome the reduced dimension of the internal market and on the other hand, by increasing the extension of the market, the labour division improved and the productivity increased. The IT would therefore constitute a dynamic force capable of intensifying the ability and skills of workers, of encouraging technical innovation and the accumulation of capital, of making it possible to overcome technical indivisibilities and generally speaking of giving participating countries the possibility of enjoying E.G.

In turn, Richardo (1817) presented a dynamic model of EG with three forces and two restrictions. He characterized the progressive states as having high savings, capital accumulation, production, productivity, benefits and labour demand forcing the increase of ways and demographic growth. However, in view of the limitations of land, both in quantity and in quality, the additional resources were obtained in conditions of decreasing returns, in which the production is absorbed by wages in an increasing proportion, reducing the stimulation of new investments and sooner or later, reaching the stationary state. IT could delay the fall in the rate of profit. Apart from the contribution of IT, underestimating the importance of technology, he underestimated the positive effects of IT on technology.

Neo-Classical International Trade

The followers of Richardo ignored the question of the foundation of comparative advantage and didn't identify factors, resulting from IT that could raise, in a lasting form, the rate of EG and its tendency in the long-term. In general, the changes introduced in the Richardian theory demonstrate the increase of welfare caused by IT, but ignored eventual equilibrium that the model of Heckscher (1919) and Ohin (1933) appeared whose contributions Samuelson (1948 & 1949) completed in the late 40's. In a rigid analysis of the model, we observed that it permits to advocate the opening of the countries to IT, showing that it is efficient, mutually beneficial and positive for the entire world.

Trade Liberalization

The unanimous agreement on the beneficial effects of growth and development of trade liberalization goes back to the emergence of the Washington Consensus in the early 1980. The consensus emerged in response to the economic crisis affecting most developing countries at the time, triggered by the debt crisis.

Nevertheless, long-term economic growth is generally seen as being dependent on openness to trade; but literature on trade theory and policy has since the time of Adam Smith debated whether openness and trade liberalization provide the necessary ingredients for economic growth (Miller and Upadhya, 2000). Recent empirical research seems to suggest that the lack of openness mainly explains the dismal growth experience of SSA and other developing countries (Dollar; 1992; Sachs and Warner, 1997).

An Overview of the Nigerian Economy

The Nigerian economy exhibits the characteristics of a mixed economy. The ownership of the means of production, distribution and exchange is shared between the private and the public sectors although the latter sector (i.e. government) remains the prime mover of the national economy. Another important feature of the Nigerian economy is the dual existence of the traditional (subsistence shifting agriculture) and modern sectors e.g. Petrochemical complexes in the oil industry. (Agene 1991, 195).

Structure of Nigeria's External Trade

Over the years, the Nigeria's foreign sector has been growing. The dominant feature of its export trade and one that is common to most developing countries is the predominance of primary products and the relative insignificance of manufactures.

In 1972 for example, chemicals, manufactures, machinery and transport equipment constituted less than 3% of total exports whereas crude materials, mineral fuels and related materials, live animals, animal and vegetable oils and facts together accounted for over 97%.

Nigeria's most important single export commodity is crude petroleum which contributed over 90% of total export earnings till date. Other major export products are cocoa, palm kernels, rubber (natural) and tin metal whose shares of total exports amounted to 2.7, 0.8, 0.6 and 0.4 percent respectively in 1974. Although, the country, because of her richness in natural resources and extension over many vegetation regions produces a vast number of primary products for export, two commodities – crude petroleum and cocoa account for over 95% of total export earnings. The reliance on oil for export is now so great that Nigeria's economy can be described as an oil one. The rise of petroleum to the number one position of Nigeria's export list constitutes the most fundamental change in the structure of her exports during the post war period. Although the exploration for oil began as far back as 1938, it was not until 1958 (20 years after), that the product appeared on the support list; and has continued on the list as the highest contributor till data.

A concomitance of the increase in importance of petroleum among Nigeria exports is the fall in the dependence of the country on agricultural products. In 1946, ten major agricultural products accounted for 78.5% of the total value of exports. A decade and half later, in 1960, at 82% the proportion of export earnings derived from these products was even higher than in 1946. From about 1965, when crude petroleum emerged as the most important single export commodity. The dominance of agricultural products in the Nigerian export trade began to dwindle. By 1974, the ten major agricultural products which gave Nigeria 78.5% of her export earnings in 1946 contributed no more than 4.8% of such earnings. For each of the agricultural products, the percentage of export earnings accounted for in 1974 was substantially lower than that of 1946 or 1950.

While the fall in importance of agricultural products and the ascendancy of petroleum to a dominant position are the most important changes in the structure of exports during the said period, there are other changes worth mentioning one such change is the disappearance of Bananas from the Nigerians export list after 1960. Prior to this year, the major Banana producing area in the country and been the southern Cameroons. That territory had opted out of Nigerian in 1960, hence, the virtual disappearance of the commodity from Nigeria's export lists after that year.

Another change of some significance in the structure of exports is the appearance of tin metal as an important export commodity after 1960. It is worth noting that this change was accompanied by the elimination of tin ore as an export commodity. Both changes are thus due

to the fact that from 1962, tin ore, instead of being exported, has been smelted locally and exported in tin metal ingots. The exportation of tin in the form of metal rather than ore is an aspect of Nigerian export policy which aims at processing an increasing proportion of Nigeria's raw materials before exporting them. By processing the raw materials, it is hoped that their exchange earnings, employment and income generating effects will be considerable increased. The above mentioned policy has found expression not only in the trade in tin but also in that of many agricultural products. Thus, Nigeria now exports not only cocoa, beans and groundnuts but also products such as groundnut, cake and meal, cocoa cake, powder and metal. In 1974, for example, the export earnings from processed cocoa amounted to N26.9 million. One by-product of the policy, however, has been that exchange earnings from unprocessed agricultural products have tended to be reduced. Another development tending to have the same effect is that over, an increasing proportion of some raw materials e.g. cotton, is being consumed domestically to meet the needs of import substitution industries. It is pertinent to stress that those developments have not reached the stage where the dramatic decline in the importance of raw agricultural products in the export trade of Nigeria can be attributed to them. An important causal factor has been the secular deterioration in terms of trade for most of the products. The basic cause of the decline, however, is the phenomenal rise in the volume and value of petroleum exports (Olaloku F.A. et al, 1979).

Most recently, the structure of Nigeria's foreign trade has remained unchanged with crude oil export constituting over 95% of total exports while imports concentrate more on machinery and equipment and intermediate goods rather than consumer goods. Since 2003, import of machinery and equipment has contributed more than consumer goods but by 2004, intermediate goods surpassed consumer goods imports. By 2005, machinery and equipment imports constituted 43%, intermediate goods (30%) and consumer goods (27%). Overall trade balance remains favourable for the period under review and valued at N4.47 trillion in 2005 from N1.12 trillion in 2001. Nigeria's foreign trade is based on cost income and freight (CIF) for import but free on board (FOB) for export (Nigeria's statistical Fact sheets, 2006).

Direction of Nigeria's Foreign Trade
During the colonial era, the bulk of Nigeria's external trade was with Western Europe, the United Kingdom being her major trade partner, for example, in 1900 the UK accounted for about 49% of total exports while Germany took 44% and France 3.9%.
The closure of the German market to Nigeria during World War I and II and the need to protect colonial markets led to the substantial increase in the United Kingdom's share of Nigeria's export to 84% in 1919 and 82.8% in 1949. However, by 1959 the UK's share fell to 50% by which time the Netherlands, West Germany, and the USA accounted for 15.1, 8.1 and 7.2% respectively. After Nigeria attained independence in 1960, there was a deliberate policy to diversify the nations export outlets through effective marketing to her agricultural produce. The country also intensified her drive to broaden the range of export items through increased mineral prospecting.

There was no remarkable change in the directional flow of Nigeria's merchandise trade between the 1970's and early 1980's and Western Europe remained the dominant trading partner during the period. However, crude petroleum took over as the largest single export commodity. The directional flow of Nigeria's crude oil exports in the last three years shows that exports to Western Europe declined from 41.8% in 1987 to 37.5% in 1989. Consequently, America's share of Nigeria's oil export rose from 53.7% in the earlier years to 56.1% in 1989, thereby emerging as the country's major trading partner. (Agene C.E. 1991).

Description of the Concepts under Study International/External Trade
International trade is the exchange of goods and services between countries. This exchange involves business enterprises and individuals domiciled in eh different countries of the world. The exchange of goods and services through international trade does not only enable a country to produce those goods and services for which it is best suited, based on its natural endowment (e.g. fertile soil, mineral resources, climate; but also allows a country experiencing acute domestic shortage resulting perhaps from bad harvests, droughts etc) to remedy the situation through importation. Thus, it has been said that international trade owes its origin to the varying resources of different regions of the world.

Terms of Trade (TOT)
In everyday commerce, terms of trade refer to the condition of payment under a business transaction and includes such factors as the discount allowable-if settlement is made within a stated period and settlement mechanism.
In international business transactions between countries, terms of trade express the relationship between the price of imports and exports. In other words, they determine the ration at which goods exported are exchanged for goods imported. Terms of trade may be used in evaluating the gains from trade or the welfare effects of a change in the direction of trade – simply put, it could be referred to as;
$TOT = x$

Balance of Trade (BOT)
This is the balance on visible trade and it is the difference between the value of imports and exports of merchandise items. When exports exceed imports there is a surplus and a deficit occurs when imports are greater than exports. The balance of trade is also the account balance for a given period of time, usually a year.

Balance of Payment
Whereas balance of trade deals with the position of visible items of trade between a country and others, balance of payment gives an account of all the transactions, whether current or capital account, including loans, gifts, gold, and foreign exchange reserves, vis-à-vis the other countries of the world. The complete position is usually reflected for a particular period which could be monthly, quarterly, bi-annually, but usually on a yearly basis.
There are plethora of theories on international trade, some which are as far as the sixteenth century. Also, the theoretical, underpinnings in economic growth cannot be discarded, as well. Usman (2012) in his performance evaluation of foreign trade discussed the international trade theory they are as follows;

Mercantilist Trade Theory
The neoclassical economist Adam Smith, who developed the theory of absolute advantage, was the first to explain why unrestricted free trade is beneficial to a country. In the 1600 and 1700 centuries, mercantilisms stressed that countries should simultaneously encourage exports and discourage imports. Although mercantilism is an old theory, it echoes in modern polities and trade policies of many countries.
Mercantilist provided the earlier idea on foreign trade, the doctrine was made up of many features. It was highly nationalist and considered the welfare of the nation as of prime importance. According to the theory, the most import, way for a nation to become rich and powerful is to export more than import. Some of the mercantilists are Jean Baptist Colbert and Thomas Hobbes. This was achieved by ensuring that the volume of export was better than the

volume of import. Trade has to be controlled, regulated and restricted; the country was expected to achieve a favorable balance of payment.

Tariffs, quotas and other commercial policies were proposed by the mercantilism to minimize imports in order to protect a nation's trade position.

Mercantilism did not favor free trade, mercantilism development theory also advocated colonialism.

Accordingly, the leaders of those nations who were involved in mercantilism intervened extensively in the ket; imposing tariffs on foreign goods, restricting import trades and granting subsides to improve export prospects for domestic goods. Mercantilism represented the elevation of commercial interests to the level of national policy. Mercantilist countries practices the so called zero-sum game, which meant that wealth was limited and that countries could only increase their share at expenses of their neighbors.

Despite the criticism faces by the foundation of mercantilism, mercantilism is still alive today. Now mercantilism now emphasized employment rather than holding some gold. They also postulate that exports are beneficial as jobs are provided domestically. To the new mercantilist, trade is a zero sum activity which a country must loose for the other to gain, and that there is no acknowledgement that trade can provide benefits to all countries.

Absolute Advantage Theory
The Scottish Economist Adam Smith developed the trade theory of absolute advantage in 1776. The theory emerged as a result of criticism held against mercantilism. A country that has an absolute advantage produces greater outputs of goods and services than other countries, using the same amount of resources. Smith argues that a country should concentrate on production of goods in which it holds an absolute advantage. No country would then need to produce all the goods it consumed. According to the absolute advantage theory, foreign trade is a positive sum game, because there are both gains for both countries to an exchanges. Thus, a nation need not gain at the expense of other nations, all nations could gain simultaneous.

Comparative Advantage Theory
The most basic concept in foreign trade is the principle of the comparative advantage, first introduced by David Ricardo in (1817). It remains a major influence in foreign trade policy and is therefore important in understanding the modern global economy. The principle of comparative advantage states that a country should specialize in producing and exporting those goods and services it has a comparative or relative cost advantage compared with other countries and it should import those goods in which it has a comparative disadvantages. Out of such advantage, it is argued that it will accrue greater benefit for all. The theory also assumed the level of technology to be fixed by both nations. Different nations may use different technology, but all firms within each nation utilize a common production methods for each commodity. It also assumed that trade is balanced and rolls out the flow of money between nations. The distribution of income within a nation is not affected by trade.

Hecksher-Ohlin Theory
In the early 1900s, a foreign trade theory emerged by two Swedish economists Eli Hecksher and Bertil Ohlin. This theory is known as Hecksher-Ohin theory. The theory stresses that countries should produce and export goods that require resource (factors) that are abundant and import goods that require resources in short supply. This theory is quite different from the comparative advantage and absolute advantage, since these theories focuses in the productivity of the productivity, process for a particular good. On the century, the H.O. theory states that a country should specialize in production and export using factors that are most abundant and

export using factors that are most abundant and thus the cheapest. Hecksher Ohlin theory concludes that trade increase total world output, all countries gain from trade, trade enables countries to secure capital and consumption of goods from other parts of the world. Thus, trade stimulates economic growth.

Theories of Economic Growth
The concept of economic growth is viewed as an increase, in the net national product in a given period of time Dewett (2005). He explained that economic growth is generally referred to as a quantitative change in economic variables normally persisting over successive periods. Todaro and Smith (2006) defined economic growth as a steady process by which the productivity capacity of the economy is increased over time to bring about rising levels of national output and income. Jhingan (2006) viewed economic growth as an increase in output. He explained further that it is related to a quantitative sustained increase in the countries per capital income or output accompanied by expansion in its labour force, consumption, capital and volume of trade. The main characteristics of economic growth are high rate of growth of per capita income or output, high rate of productivity, high rate of structural transformation, international flow of labour, goods and capital, Ochejele (207). Economic growth can also be measured in terms of Gross Domestic Product (GDP) and human development index (HDI) which is an index that measures national growth based on measures of life expectancy at birth, education attainment and adjusted real per capita income. Looking at the above definition, we can conclude, that economic growth is where there is a sustained increase in the actual output of goods and services per head. Usman (2011) in his performance Evaluation, of foreign trade and economic growth explains the theory of growth as follow;

Harrod-Domar Growth Model
Harrod-Domar opined that economic growth is achieved when more investment leads to more growth. The theory is based on linear production function with output given by capital stock (k) as 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 expand and 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 a long run, net investment must increase must increase contieously as well as growth in the real income at a rate sufficient enough to maintain full capacity using 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 = SV which must be equal to net investment I.
The net investment which is I = K=KY because K has a direct relationship to total national income. Therefore SY = KY which simply means Y/Y is growth rate of GDP that is determined by the net national savings ratio and the national capital output (K) in the absence of government, the growth rate of national, income will be positively related to the savings 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.

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 and provide incentives for individuals and businesses 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 and biotechnology are becoming increasingly, important in developed countries. The proponents 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 develop 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. Government policies can permanently raise a country growth rate if they lead to more intense completion in markets and help stimulate products and process innovation.

Brief History of International Monetary System
With the rise of international trade in the second half of the 19th century, the establishment of international monetary system became practically necessary. The industrial revolution starting from Britain and soon spreading to Germany, France, America and other western countries, took place and got an accelerating momentum earlier in the same century at a time that witnessed so many famous inventors and engineers whose names are still influential in our everyday life now; James Watt (1736-1819) Isambard Kindom Brunel (1767-1849), Werner Von Siemens (1816-1892) Gottlied Daimler (1834-1900), Karl Benz (1844-1929) and Rudolf Diesel (1858-1913) to mention a few. The industrial revolution greatly increased productivity through inventions and the use of Engines in production and later in mass production. A substantial portion of manufactured goods had to find foreign markets. Consumption and production were no longer confined within national borders. Consequently and subsequently, international trading rules and methods of settlements took their initial shape at the time and continued to evolve over time.
According to Wang (2009), the history of international monetary system can by divided into five periods; the classical goes standard (1875-1914), interim instability (1914-1943), the Bretton Woods System (1944-1971), and the collapse of the Bretton Woods system (1971-1973), and the recent float (1973), Wang (2009) went further to discuss the periods as follows.

Classical Gold Standard (1875-1914)
The starting point of the classical gold standard is a clear cut, which can be as early as 1820s. When the UK first adopted the gold standard in the 1870s and most western powers followed. Yet, no matter how the beginning of the gold standard period was decided, the emergence of the gold standard was a response of the rise of international trade at the time, brought about a great extent by industrial revolution. The Gold standard is a fixed exchange rate regime. Nation on the gold standard pegged their currencies to gold, and then the exchange rate between two currencies was fixed in terms of a specific amount of gold. For example, if the US dollar was pegged to gold at $1 = 1/30 Oz of goes and the sterling was pegged to gold at £1 = 1/6 Oz of gold, then the exchange rate, of sterling vis-à-vis the Us dollar was fixed at $5 per Euro maintenance of the exchange rate involved the buying and selling of gold at the price.
The gold standard was featured by it's price specific flow mechanism, an automatic adjustment mechanism for maintain trade balance, where specie was gold coins. It worked as follows; a balance of payment surplus led to gold inflow, gold inflow led to higher price which reduced the surplus. Moreover, exchange rate under the gold standard were highly stable, which helped conduct and promote international trade.

Interim Instability (1914-1944)
This period covered two world wars and the great Depression. By early 20th Century, the supply of minted goes was very limited relative to the rapid expansion, of the economy in the last few

decades and the growth of international trade was held back because, there were insufficient monetary reserves. The situation, deteriorated quickly in the World War I, during which many countries abandoned the goes standard, because it prevented them from printing more money as a means of paying the expenses of the war. This money printing process led to higher inflation during and immediately after the war, and increase inflation rate naturally differed among countries.

Consequently, a fixed exchange rate regime implemented, through the gold standard was neither desirable nor workable.

Attempt was made to restore the goes standard because of a highly instable international trade environment following the abandonment of the regime. This led to a brief spell of the gold exchange standard between 1925 and 1931, in which only the US and the UK were pegged to gold, while other countries held gold, US dollar or sterling reserves. The temporary international monetary system and order was soon torn down by the Great Depression, since a fixed exchange rate arrangement, appeared to amplify the extent of recessions and unemployment in the time of economic contraction. The lack of international monetary and trading system resulted in a dreadful situation where countries adopted tacties of competitive depreciation of their currencies to gain comparative advantage in international trade. These coupled with protectionist economic policies, were very harmful to the world economy as a whole. The foreign exchange market was extremely volatile as a consequence.

The Bretton Woods System (1946-1971)
The exchange rate instability and disorders in international, monetary system and trade continued to deepen in World War II. Negotiations started as early as in 1942 to establish a credible international monetary system after the war. In July, 1944, 44 nations gathered at Bretton Woods, New Hamsphire to hold a conference that gave birth the post war international monetary system name after the conference venue. Two international, institution, he international monetary fund and the World Bank, were created at the Bretton Woods Conference Venue. Two international, institutions, the international monetary fund and the World Bank, were created at the Bretton Woods conference. The Bretton woods system and order intended to govern currency relations among sovereign states. It was designed to combine binding legal obligations with multilateral decision making processes conducted through an international institution, the IMF.

Under the Bretton Woods System, the US Dollars was valued at $35 per Ounce of gold. The commitment by the US to redeem international dollar holdings at the rate of $35 per Ounce laid down the central foundation of the Bretton Woods System. US Dollar was the main currencies was pegged. Consequently, the US did not have the entitlement to set the exchange rate between the US dollar and other currencies. Changing the value of the US dollar in terms of gold has no real effect, because the value of other currencies were pegged to the dollar. The use dollar had special position in the system and was the 11th currency – it there are is currencies, then there are only $n - 1$ bilateral exchange rates to be pegged.

The Bretton Woods system was a kind of gold exchange standard. Upon entering the IMF, a country submitted a par value of is currency expressed in terms of the US dollar using the weight of gold in effect on July 1, 1944, which was $35 per Ounce of gold. By signing the agreement member, countries submitted, their exchange rate to international discipline. All exchange transactions between member countries were to be effected at a rate that diverged not more than 1% from the par values of the respective currencies. A member country could change the par value of it's currency only to correct a fundamental disequilibrium in its balance

of payments and only after consulting with the IMF. In case when the IMF objected a change, but the member devalued its currency then that member was ineligible to use IMF's resource. There would be no objection to change if the cumulative change was less than 10% of the par value forbids members to restrict current account balances. Members were obligated to maintain currency convertibility for current account transactions to facilitate trade but convertibility was not required for capital account transactions.

The collapse of the Bretton Woods System (1971-1973 at the launch of the Bretton Woods System, the US federal reserve held three quarters of all central bank gold in the world and the US was the only dominant force enjoying global monetary supremacy; while the economic and financial fortunes of Europe and Japan had been largely ruined by the war. However, ultimately the US dollar was not gold. The system would continue to work properly which the mass of US dollar circulating in the rest of the world was backed by gold in the US but would cease functioning vice versa. With economic recovery taking momentum gradually in Europe and Japan, there was an increasing need for international liquidity in the form of US dollars to facilitate growth in international trade. This could only lead to outflows of US Dollars under the Breton Woods System. In n1959, the problem of dollar overhang, the amount of US dollar in international circulation in excess of gold reserves held by the US federal reserved surfaced for the first time. Shortly before that in 1958, Europe's currencies returned to convertibility, which also contributed to the diminished desire to obtain and accumulate reserves in the form of US dollars.

Before 1958, less than 10% of US balanced of payments deficit had been financed by calls on the US gold stock, with the rest being financed by US dollars. During the next decade however, almost two third (2/3) of US balance of payment deficit were transferred to the rest of the world in the form of gold, mostly to Europe. The gravity of the problem was first revealed by Triffin (1960) in what was later known as the Triffin dilemma. He argues that the gold exchange standard of the Bretton Wood is fundamentally flawed by it's reliance on the pledge of convertibility of the US dollar into goes. The Bretton Woods System had to rely on US deficits to avert a world liquidity shortage. The resulting erosion of US reserves was bound in time to undermine confidence in the continued convertibility of the US dollar into gold. Therefore, the Bretton woods system and the countries in the system confronted a dilemma to stop speculation against dollar, us deficit would have to cease, which would happen the liquidity problem. To solve the liquidity problem, US deficit would have to continue, which would bring about a confidence problem for the continued convertibility of US dollars. In the 1960's dollar overhang began to grow larger and larger as a result of increased capital outflow induced by higher returns abroad, military commitments, and the Vietnam War. By 1963, the US gold reserves held at Menhattan barely covered liabilities to foreign central banks tried to convert their dollar reserve into gold, the US would have been forced to abandon gold convertibility. The Bretton Woods System was clearly under grim strain and the collapse of the system was just a matter of time. America's domestic problems also contributed to the fall of the Bretton Woods System. In the 1960s, the US economy experienced higher inflation, higher unemployment and lower growth relative to most notably Japan and Germany. The US dollar appeared to be overvalued and the speculation on the devaluation of the US dollar continued to grow and accelerate. On August 15, 1971, the US president Nixon announced on a Sunday evening televised address that the convertibility of the US dollar into gold was suspended. In response to the crises, international monetary negotiation were undertaken within the framework of the Group 10 in a meeting at the Smith Sonian institution in Washington Dc. The agreement was then formalized by the IMF to be known as the Smithsonian Agreement, which was temporary regime. The Smithsonian Agreement made following currency realignments.

The Japanese Yen appreciated 17%, the Deutschmark 13.5%, the Brittish pound 9%, and the French Franc 9%. The US dollar devalued to $38 per ounce of gold. The boundaries for exchange rate fluctuation were widened from $\neq 1\%$ to $\neq 2\frac{1}{4}\%$ of the central rate after currency realignment. This devaluation of the US dollar had no significance because the US dollar remained inconvertible. One and a half years later, with the second devaluation of the US dollar in February 1973 to $42.22 per ounce of gold and after new waves of speculation against a realigned structure of par values negotiates, in the Smithsonian Agreement, the currency of all the industrial countries were set free to float independently. Both the par value system and the gold exchange standard, the two central elements of the post war monetary regime, came to an end. The Bretton Woods system finally and officially collapsed.

The recent float (1973 to date)
In February 1973, the official boundaries for the more widely traded currencies were eliminated and the floating exchange rate system came into effect. The gold standard became obsolete and the values of a range of currencies were to be determined by the market. Under this regime, for those countries that have chosen to float their currencies independently, foreign exchange intervention, if any, does not aim at establishing, a level for the exchange rate but aims at moderating the rate of change and preventing undue fluctuations in the exchange rate. As having seen in the previous section, most industrialized countries have adopted independent floating, but the present international monetary system is a mixture of several kinds of exchange rate arrangement operating in parallel at the same time. It is because the World is no longer dominated by America or America with it's Western partners doing international trade and business.
International trading rules, international monetary systems and orders suitable or industrialized countries or benefiting industrialized countries alone cannot be applied to developing countries without being challenged, for reasonable amendments and adjustments.

Literature by many scholars suggest that the relationship between exports-imports and economic growth is followed as three types: 1) export-led growth (ELG) 2) growth-led export (GLE) 3) a bilateral or feedback. Export is a part of calculating GDP and has a high effect on economic growth of each country. Expanded international trade has a large influence on increasing economic growth and other economic benefits such as technological spillovers, expansion of production and employment and other externalities. There are several basic literatures in the ELG case which call attention to Michaely (1977), Balassa (1978, 1985), Bhagwati (1978), Tyler (1981), Feder (1982), Helpman and krugman (1985), Ram (1987), Chow (1987), Romer (1990), Grossman and Helpman (1991), Rivera-Batiz and Romer (1991), Buffie (1992), Marin (1992), Giles etal. (1992), Xu (1996), Thornton (1996), Doyle (1998) and Edwards (1998).

The third case is that of import-lead growth (ILG) suggests economic growth could be driven by variation in imports. Import provides domestic firms with access to needed intermediate and foreign technology and also can serve as a medium for the transfer of growth-enhancing foreign R&D knowledge (Coe and Helpman, 1995; Lawrence and Weinstein, 1999; Mazumdar, 2000). The last case suggests a two-way causal relationship between growth and trade. Increased trade produces more income (increased GDP), and more income facilitates more trade _ the result being a 'virtuous circle' (Bhagwati, 1988). This type has also noted by Grossman and Helpman (1991), Worz (2005), Awokuse (2007), Cetintas and Barisik (2009), Jiyang and Wen (2009).

Precisely we propose here a Granger no causality test for heterogeneous panel data models. This panel data test allows us to take into account both dimensions of the heterogeneity in this

context: the heterogeneity of the causal relationships and the heterogeneity of the data generating process Hurlin, (2004a). This adaptation of the simple Granger test allows detecting possible variations in the way the bidirectional causality really occurs across the different countries (Erdil and Yetkiner, 2009).

Theoretical propositions indicate that exports of goods and services do not only provide an opportunity for countries to earn foreign exchange reserve to ease the balance of payments, but also a chance to expand the employment base (Ndoricimpa, 2009). Moreover, exporting of goods results in economic growth through increased local and foreign direct investment (FDI) in a country. Thus, meeting the increasing demands due to new export market would require that producers must increase the efficiencies in their production practices. In this context, increasing efficiencies may mean optimal operations management styles in producing a good, and faster and error-free distribution to the foreign markets (Pandhi, 2007). Subsequently, with better practices, and a more reliable economy, foreign investors will be more incentivised and willing to invest in an economy that lower their risk through productive or reliable practices. Foreign direct investment may come in many forms, such as the introduction of foreign corporations into a country or collaborations with already existing firms to expand them through investment. In fact, capital that is attained through FDI brings additional benefits such as changes in attitudes in terms of investment (Thirwall 2000).

In general, trade theories indicate that trade happens because of price differences which results from the differences in supply and demand as well as technology difference and resource. For example the comparative advantage theory on trade states that exports create market for producers where countries with comparative advantage in certain areas of trade are able to expand their production and importantly increase economies of scale. Economies of scale occurs when a country is able engage in higher production at a very low cost than all other countries preferably in the same region (Pandhi, 2007).

Carmignani (2007) states that primary commodity exports account for 65 per cent of total exports for developing countries. The biggest constituent of such export is fuels. Collier (2002) indicate that practically all developing countries were heavily dependent upon exports of primary commodities and the opportunities offered by primary commodity production and exports for economic growth have often been considered limited. And such dependence poses a serious problem because of the high volatility in commodity prices, lack of governance and higher risk of civil war. Many developing countries have since then realised how important it's to diversify export, despite absolute comparative advantage, and primary commodity endowment. Many Sub-Sahara African (SSA) countries are heavily depending on primary commodities with less diversified export.

Elbeydi, Hamuda and Gazda (2010) examined a relationship between export and economic growth in Libya. Granger causality test was conducted on annual data for the period 1980 – 2007. The results revealed a long-run bidirectional causality between the exports and income growth and that export-led growth does exist in Libya.
In Nigeria, Chimobi (2010) investigated a relationship between economic growth, investments and export using the Johansen cointegration and Granger causality tests. The annual time series used was for the period ranging between the years 1970 to 2005. Cointegration tests results found no long run relationship between the variables under study. Nevertheless, the Granger causality was found to be bidirectional between Investment and Economic growth as well as between Investment and Export. The causality results between export and economic growth was statistically insignificant in Nigeria.

Niishinda and Ogbokor (2013) carried out a study exploring the export-economic growth relation in Namibia using time series for the period 1972 to 2010. The methodology used includes a Johansen co-integration test, the vector-error correction model (VECM) and the Granger causality. Granger causality test results showed uni-directional causation from export to economic growth in Namibia. In Jordan, Shihab, Soufan and Abdul-Khaliq (2014) assessed a causal relationship between economic growth and exports in Jordan. A Granger causality test was applied on the data for the period 2000-2012. The research results indicated that there is a causal relationship going from the economic growth to export, but not from export to economic growth.

Kumari and Malhotra (2014) conducted a cointegration and causality analysis for export led growth in India using annual time series data for the period 1980 to 2012. The study findings made a conclusion that there is no long run relationship between exports and GDP per capita. However, there was bidirectional Granger causality running from exports to GDP per capita and vice versa.

Many preceding studies conducted on these two variables used a combination of various econometric techniques but the Granger causality appears to be pre-dominant. There have been mixed findings ranging from unidirectional to bi-directional. The only study in Namibia that comes close to this is the one by Nishiinda and Ogbokor (2013).

 The relationship between export growth and economic growth in developing countries has been of continuing interest both in theoretical and empirical literature. A large number of empirical studies have been conducted during the last two decades to investigate the role of exports on economic growth or the export-led growth hypothesis, using either time-series or cross-section data or panel data. These studies have been conducted along a number of divergent lines. The early studies on this issue examined the simple correlation coefficient between export growth and economic growth.

Export growth is important because of its effect on internal trade and economic stability of an economy. Moreover, the rate of economic growth and the distribution of income and wealth in a country are closely related to export growth (Dee Kay, 2009). Empirical evidences supports that growth of an economy is directly related to exports. Therefore, the relationship between export and economic growth has become a crucial issue of debate among economists and researchers all over the World. An agreement has emerged on theoretical ground among Neo-classical economists in regard to export-led–growth (ELG) strategy as an instrument of economic progress.

This agreement has got more support due to the success of free-market, and outward-oriented policies of Asian Tigers (Asian tigers include Taiwan, Hong Kong, Singapore and Korea have been successful in achieving high and persistent rates of economic growth since early 1960s; because of their free market, outward oriented economies.(World Bank, 1991). Neoclassical economists have strongly argued that export has emerged as an important factor, which make major contributions to economic growth. There are four major reasons for the support of export-led-growth hypothesis: (a) fostering specialization helps to benefit from the comparative advantages; (b) helps to utilize the full capacity of the plant size, where domestic demand is less than the full capacity production;(c) generate benefits of the greater economies of scale due to large market; and (d) increase the rate of investment and technological change (Dash, 2009).

Therefore, export promotion strategy is considered as an important instrument of economic growth. The second proposition, the growth-driven exports hypothesis, postulates a reverse relationship. It is based on the idea that economic growth induces trade flows. It can also create comparative advantages in certain areas leading to specialization and facilitating exports. A large number of studies have investigated the relationship between export growth and economic growth and tested the hypothesis of export led growth (ELG) or growth led export (GLE). For example, Michaely (1977), Heller and Porter (1978), Tyler (1981) and Kormendi and Mequire (1985) applied simple correlation coefficient to find out the relationship between export and economic growth. Their conclusion was purely based on the significance of correlation coefficient.

Later, there was an improvement and some studies applied regression equation and the obtained significant slope coefficient of export growth on economic growth was treated as an evidence of the cause of economic growth (Voivadas (1973), Feder (1983), Balassa (1985), Ram (1987), Sprout and Weaver (1993) and Ukpolo (1994)). These studies are subject to criticism that they have made a *priori* assumption of export led growth and did not consider the direction of causal relationship between export and economic growth. This criticism was overcome by the application of relatively advanced techniques of co-integration and error correction model (for example, Kugler (1991), Dutt and Ghosh (1994, 1996), Ekanayake (1999), Dhawan and Biswal (1999), Raju and Kurien (2005) and Sharma and Panagiotidis (2005)).

Plethora of literature work has been conducted on the impact that foreign trade plays on economic growth across and they are reviewed as follows; Emery (1967) and Severn (1968) used bivariate regression analysis to investigate the export-growth Nexus and found evidence in favour of export acting as stimulus for economic growth. 08148249724
Michaely (1977) focuses attention on correction between the rate of growth of export and GNP. He discovered that the correlation rates of growth of the economy is particularly strong among the countries with successful growth experience. Krueger (1978) used a simple log-linear specification to analyze the impact of exports on growth for each of 10 countries using data from 1954-1971. She found GND to depend more on export earnings than total foreign exchange availability. Balassa (1978) in his study of eleven countries that have established industrial base discovers that the positive correlation between export growth and GDP growth will provide indication of the total effects of exports on economic growth. Similarly, Bairam (1988) estimates the model for a large sample of developed countries and arrived at the conclusion that the growth performance of a country is a function of the values of it's income elasticity of both exports and imports.

Fajana (1979); Ekpo and Egwaikehide (1994) used Nigerian data like the other studies, they found exports to be a key determinant of economic growth. Similarly, Iyoha (1988) and Fosu (1990) case studied African countries also found evidence for a systematic relation between foreign trade and economic growth.
Ogbokor (2001), investigated the macroscopic impact of oil exports on the Nigeria economy. Utilizing the popular OLS techniques, the observed that economic growth reaction is used in the study. He also found out that 10% increase in oil exports would led to 5.2% jump in economic growth. He concluded that export-oriented strategies should be given a more practical support. Oviemuno (2007), look at international trade as an engine of growth in developing countries taking Nigeria (1960-2003) as a case study, he uses four important variables which are export/import, inflation and exchange rate. The results show that Nigeria exports value does not act as an engine of growth in Nigeria.

Hassan (2007) used vector Auto-Regression (VAR), impulse response function (IRF) and Granger-causality test to determine the long-term relationship between exports and domestic economic growth in Saudi Arabia from 1970-2005, and found that the export sector had a significant effect on economic growth and a positive influence on other economic activities in the long run.

Obiora (2009) used VAR models to examine the magnitude and sources of growth spillovers in Nigeria from key trading partners, as well as from the country's exchange rate. The results debunked the decoupling theory, and confirmed the existence of significant cross-country spillovers from the US and other major partners to Nigeria.

Omoke and Ugwuanyi (2010) Used Granger causality and co-integrated tests to investigate the relationship between exports, domestic demand and economic growth in Nigeria. The results from trace and maximum Eigne values test conducted showed that the variable do not have long-run relationship, but the pair-wise Granger causality test showed that economic growth a Granger causes both export and domestic demand, while a bilateral causality exist between export and domestic demand.

Sun and Heshmati, A. (2010), examined the effects of international trade on Chima's economic growth. Applying econometric and non-parametric techniques on six (6) year data of 31 provinces in china from 2002 to 2007, their finding reveals that an increase participation in international trade helps stimulates on technological positively affects china's regional productions.

Mustafa (2011) analyzed the relationship between foreign trade and economic growth in Turkey using VAR and VECM and employed data of GDP, export and import for 1987 through 2007. He found that, in the short run, GDP growth did not significantly depend on the export growth.

3.1 Research Methodology

The research adopts an ex-post facto research design. This investigates possible cause-and-effect relationship by observing an existing condition and trying to find out possible causes. Kim and Singal (1993) defined ex-pot facto research as a situation where the independent variable has already occurred and the researcher starts with the observation of s dependent variable. It posits a causal link between them. The data used for this research is secondary data got from the annual reports of four banks. The data is entirely appropriate and wholly adequate to draw conclusions and answer the question or solve the problem, it is cheaper to collect and is reliable as information needed to achieve the research objectives.

In the process of developing of the model the first step is to identify the correlation model that allows the inclusion of the variables (both independent and dependent) and the coefficient weights. The two dimensions of the coefficients are direction and magnitude. The directions indicates whether variations in the dependent variable are caused by changes in the independent variable.

Model Specification

The model for this study was expressed in line with the hypotheses stated as follows

Ho$_1$: There is no significant relationship between current accounts and economic growth in Nigeria

Ho$_2$: There is no significant relationship between capital accounts and economic growth in Nigeria.

A second order linear differential equation is an equation which can be written in the form

Y + p(x)y + q(x)y = f(x) ……………………………………………………. (1)
where p, q, and f are continuous functions on some interval I and Y is the dependent variable and X is the independent variable.

In the E-view statistics the linear equation is re-stated as **Y=C (1) +C (2)*X**
EXPORTS =C(1)+C(2)*RPCI
EXCHANGE_RATE=C(1)+C(2)*RPCI
BALANCE_OF_PAYMENT=C(1)+C(2)*RPCI
Where RPCI is Real Per Capita Income

The variables used in the models are the dependent and independent variables, the former representing the effects while the latter represents the causes. Since the models are statistical the research looked at the dependent variable studied to find out variations as the independent variable varies. The study adopted the GDP at current market prices as the dependent variables for testing. The study adopted as independent variables current account balances and capital account balances it is important to see its effects on the said dependent variables. Guha Deb and Mukherjee (2008) posits that academic literature on the relationship between financial development and economic growth dates back to the early twentieth century. The techniques of data analysis used included the use of regression analysis and correlation coefficient of determination using the E- views statistical package.

4.0 Data Analysis and Discussion of Findings

This section focuses on presentation of data collected from the secondary sources for the purpose of testing the hypothesis. Thus, analysis and interpretation of the data will also be carried out while policy implication of the results will be stated.

Table 4.1

Year	Current Accounts (N'billion)	Capital Accounts (N'billion)	GDP at current market prices
1981	(3.9984)	0.9295	144.83
1982	(4.8795)	3.4709	154.98
1983	(3.1379)	2.7357	163.00
1984	0.0441	0.1719	170.38
1985	2.2154	(2.5550)	192.27
1986	(2.9991)	(1.9009)	202.44
1987	(0.2953)	(16.7433)	249.44
1988	(0.9657)	(18.4473)	320.33
1989	10.6841	(30.2219)	419.20

1990	44.7312	(49.2453)	499.68
1991	12.6554	(27.4829)	596.04
1992	39.4228	(138.7556)	909.80
1993	(19.4887)	(19.7409)	1,259.07
1994	(52.3)	11.3	1,762.81
1995	(186.1)	(3.3)	2,895.20
1996	376.0	(423.5)	3,779.13
1997	263.3	(261.2)	4,111.64
1998	(331.4)	116.7	4,588.99
1999	46.3	(366.8)	5,307.36
2000	713.0	(390.4)	6,897.48
2001	242.9	(211.2)	8,134.14
2002	(117.0)	(437.2)	11,332.25
2003	704.6	(855.9)	13,301.56
2004	2,056.3	(914.2)	17,321.30
2005	4,891.7	(2,496.9)	22,269.98
2006	4,698.0	(2,491.5)	28,662.47
2007	3,478.4	(1,666.5)	32,995.38
2008	3,455.7	(992.3)	39,157.88
2009	2,064.9	1,862.6	44,285.56
2010	1,970.6	305.6	54,612.26
2011	1,641.5	(831.4)	62,980.40
2012	2,736.4	(1,949.2)	71,713.94
2013	2,996.6	1,209.1	80,092.56

2014	142.6	1,932.3	89,043.62
2015	(3,033.5)	(202.0)	94,144.96
2016	687.8	417.2	101,489.49

Data Analysis
Table 4.2.1
Dependent Variable: GDP_AT_CURRENT_MARKET_PR
Method: Least Squares
Date: 09/10/18   Time: 13:17
Sample: 1981 2016
Included observations: 36

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CURRENT_ACCOUNTS__N_BIL				
L	4.738781	3.274849	1.447023	0.1570
C	18507.54	5794.739	3.193852	0.0030

R-squared	0.058012	Mean dependent var		22393.38
Adjusted R-squared	0.030306	S.D. dependent var		31287.38
S.E. of regression	30809.62	Akaike info criterion		23.56299
Sum squared resid	3.23E+10	Schwarz criterion		23.65097
Log likelihood	-422.1339	Hannan-Quinn criter.		23.59370
F-statistic	2.093875	Durbin-Watson stat		0.054771
Prob(F-statistic)	0.157048			

Table 4.2.2
Group unit root test: Summary
Series: GDP_AT_CURRENT_MARKET_PR,
CURRENT_ACCOUNTS__N_B
    ILL
Date: 09/10/18   Time: 13:33
Sample: 1981 2016
Exogenous variables: Individual effects, individual linear trends
Automatic selection of maximum lags
Automatic lag length selection based on SIC: 1 to 2
Newey-West automatic bandwidth selection and Bartlett kernel

Method	Statistic	Prob.**	Cross-sections	Obs
Null: Unit root (assumes common unit root process)				
Levin, Lin & Chu t*	-0.95679	0.1693	2	67
Breitung t-stat	0.69693	0.7571	2	65
Null: Unit root (assumes individual unit root process)				
Im, Pesaran and Shin W-stat	-0.73269	0.2319	2	67

ADF - Fisher Chi-square	6.28938	0.1786	2	67
PP - Fisher Chi-square	2.17470	0.7037	2	70

** Probabilities for Fisher tests are computed using an asymptotic Chi
-square distribution. All other tests assume asymptotic normality.

Table 4.2.3
Pairwise Granger Causality Tests
Date: 09/10/18   Time: 13:41
Sample: 1 36
Lags: 2

Null Hypothesis:	Obs	F-Statistic	Prob.
GDP_ does not Granger Cause CURRENT_ACCOUNTS__N_BILL	34	0.50900	0.6064
CURRENT_ACCOUNTS does not Granger Cause GDP_		2.84436	0.0745

Table 4.2.4
Dependent Variable: CAPITAL_ACCOUNTS__N_BILL
Method: Least Squares
Date: 09/10/18   Time: 13:53
Sample: 1 36
Included observations: 36

Variable	Coefficient	Std. Error	t-Statistic	Prob.
GDP_AT_CURRENT_MARKET_ PR	0.004017	0.005013	0.801321	0.4285
C	-338.1921	191.0956	-1.769753	0.0857

R-squared	0.018536	Mean dependent var	-248.2386
Adjusted R-squared	-0.010331	S.D. dependent var	923.1315
S.E. of regression	927.8877	Akaike info criterion	16.55765
Sum squared resid	29273170	Schwarz criterion	16.64562
Log likelihood	-296.0377	Hannan-Quinn criter.	16.58836
F-statistic	0.642115	Durbin-Watson stat	1.128835
Prob(F-statistic)	0.428511		

Table 4.2.5
Group unit root test: Summary
Series: CAPITAL_ACCOUNTS__N_BILL, GDP_AT_CURRENT_MARKET_P
    R
Date: 09/10/18   Time: 13:55
Sample: 1 36
Exogenous variables: Individual effects, individual linear trends
Automatic selection of maximum lags
Automatic lag length selection based on SIC: 0 to 2
Newey-West automatic bandwidth selection and Bartlett kernel

Method	Statistic	Prob.**	Cross-sections	Obs
Null: Unit root (assumes common unit root process)				
Levin, Lin & Chu t*	-0.96844	0.1664	2	68
Breitung t-stat	0.69968	0.7579	2	66
Null: Unit root (assumes individual unit root process)				
Im, Pesaran and Shin W-stat	-0.74394	0.2285	2	68
ADF - Fisher Chi-square	6.29762	0.1780	2	68
PP - Fisher Chi-square	5.08059	0.2791	2	70

** Probabilities for Fisher tests are computed using an asymptotic Chi
    -square distribution. All other tests assume asymptotic normality.

Table 4.2.6
Pairwise Granger Causality Tests
Date: 09/10/18   Time: 13:59
Sample: 1 36
Lags: 2

Null Hypothesis:	Obs	F-Statistic	Prob.
GDP_does not Granger Cause CAPITAL_ACCOUNTS__N_BILL	34	3.12100	0.0592
CAPITAL_ACCOUNTS__N_BILL does not Granger Cause GDP_		1.88545	0.1699

On table 4.2.1the findings indicate that the goodness of fit of the model can be seen in the coefficient of determination (R-square). The R^2 and adjusted R^2 is 5.8 % and 3.0% respectively, this means that the current accounts for the period under study has not had a significant impact on the Nigerian economy and so can't account for much of the variations in the GDP at current prices and for the period under study (1981-2016). The adjusted R^2 moderates the Rs indicating that there may be other variables other than our explanatory variables that might have an impact on the dependent variable but not represented in the equation. These two values (R^2 & adjusted R^2) indicates that the regression line approximates

the real data points and so is a very good fit and also shows how well observed outcomes in the analyses are replicated in the model.

The Durbin Watson statistics shows a positive serial correlation at 0.05. The difference between AIC, or Schwarz criterion is negligible, an indicator of a near perfect model convergence near zero. The smaller they are the better the fit of your model is (from a statistical perspective) as they reflect a trade-off between the lack of fit and the number of parameters in the model.

For the second hypothesis analyzed, the R2 and adjusted R2 for table 4.2.4 for the years under study (1981-2016) is 1.85% and 1.03% respectively. This suggests evidence of a not so significant relationship between the nation's capital account and the GDP at current prices. This means that the variations in the dependent variable are not sufficiently explained by the level of the capital account in the thirty six years under study (1986 – 2016). The adjusted R2 moderates the Rs indicating that there may be other variables other than our explanatory variables that might have an impact on the dependent variable but not represented in the equation. These two values (R2 & adjusted R2) indicates that the regression line approximates the real data points and so is a very good fit and also shows how well observed outcomes in the analyses are replicated in the model.

The Durbin Watson statistics shows a positive serial correlation at 1.22. The difference between AIC, or Schwarz criterion is negligible, an indicator of a near perfect model convergence near zero. The smaller they are the better the fit of your model is (from a statistical perspective) as they reflect a trade-off between the lack of fit and the number of parameters in the model.

In table 4.2.2 and 4.2.5 showed tested for the presence of unit root in the time series data set. This was necessitated because we wanted to ensure that the parameters estimated are stationary time series data. We utilized the Augumented Dickey – Fuller (ADF). To reject the null hypothesis that the data are non – stationary, the ADF statistics must be negative than the critical values and significant. As revealed, there are no presence of stationarity since the ADF Statistics is less than the critical values at 1%, 5% and 10% for both tables respectively.

The granger causality test was conducted to test the causality of the impact of the independent variable on the dependent variable. As indicated in the table 4.2.3, it was revealed that the macro economic indicators of Interest rate does not granger cause the Total Bank Assets and vice versa. In table 4.2.6 the Inflation rate does not granger cause the Total Bank Assets and vice versa.

5.0 Conclusions

The results of Granger Causality based on Wald test. The results show that there is no bidirectional relationship between exports proxied by capital accounts and current accounts and economic growth proxied by GDP at current market prices. Capital accounts and current accounts does not influence economic growth significantly and the latter in turn also does not influence capital accounts and current accounts. Besides, there is a unidirectional relationship though quite not significant, between the current and capital accounts and the GDP at current prices.

Nigeria's economy is heavily dependent on crude oil for decades and the fact that it is dependent on imports including refined crude oil has further exacerbated its balance of payment causing currency depreciation and lower foreign currency reserves and increased debts. Okore and Onoh (2013) in their study of the impact of capital account liberalization in Nigeria's economic growth concluded a negative and non-significant impact which they attributed to restrictions from international transactions related to the movement of capital and the cost of

competing with foreign goods by our local manufacturers which has not been seriously addressed by successive administrations. Regardless of the growth in GDP in the mid 2000s unrelated to increases in oil prices billions of petrodollars have not been utilized to fund untapped areas in the non-oil sector of the Nigerian economy. This sad state of affairs coupled with policy inconsistencies and corruption have further compounded our foreign currency woes leaving the economy vulnerable to shocks in oil prices.

6.0 Recommendations for policy

The government should pay more attention to diversifying away from oil to other viable sectors including the agricultural sector. In addition to the potential food sufficiency this can lead to economic prosperity. Specifically speaking, a lot of things can be done by providing high yielding seeds, facilitating easier access to credit to farmers, subsidizing the costs of inputs and machines, developing the capacity to export and market commodities.

With abundant natural resources, mineral deposits, fertile land and enormous human capital that Nigeria has a wide range of incentives to diversify its economy. The government must understand that the private sector drives the economy and studies have shown that business expansion in small and medium scale enterprises will transform the economy by creating jobs, conserving foreign exchange, ensure optimal utilization of resources and equitable resource distribution. Macro-economic stability and supportive regulatory and institutional frameworks are key prerequisites for economic government by insulating the economy from the impact of oil price volatility is necessary to lay a sound foundation for economic diversification. The public sector should enable, not compete with, the private sector to support economic diversification. Public employment and wage policies need to be tailored to improve incentives and help raise the supply of highly-skilled labor for the private sector. Public spending needs to focus on investment in infrastructure and human capital to improve competitiveness. Strategies could involve seeking to foster horizontal and vertical diversification, diversifying manufacturing away from oil production, further integrating into the global value chain, and attracting FDI into the non-oil sector.

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