

# Comparative Analysis of the Effect of Oil and Non-Oil Exports on the Nigerian Economy

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## Abstract

This research is a comparative study of the effect of oil and non-oil exports on the Nigerian economy from 1985 to 2019. Data on oil exports, non – oil exports, Gross domestic product and exchange rates were sourced from the central bank of Nigerian statistical bulletin for the study while Augmented Dickey Fuller (ADF) unit root test was used to ascertain the stationarity and order of integration of the variables. It utilizes Analysis of Variance (ANOVA), a dummy variable regression model, to compare the average values of oil and non – oil exports. Ordinary Least Square log – log model was also used to compare the magnitude effect of oil and non-oil exports on the Nigerian economy. The results show that the average value of oil exports was significantly higher than that of non-oil exports. Also both exports have significant positive effects on the Nigerian economy with non-oil exports having higher magnitude effect. It was recommended among other things that the Nigerian government should give adequate attention to both sectors but needs to step up their non-oil economic activities such as manufacturing and agricultural activities in order to increase the values of its exports, achieve economic diversification away from oil and automatically improve economic performance of the country.

**Keywords:** Comparative, Oil-Export, Non-Oil Export, Nigerian Economy

## Introduction

Growing the economy through export promotion and economic diversification has become the major objective of Nigeria and most governments in the developing economies of the world. 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 country's balance of payment which places the nation better in the global economy. It also plays an important role in expanding the size of the local market and increasing the degree of competition that leads the country to improve its production and use new technology in its production process.

Oil and non-oil exports have remained sources of revenue for Nigeria over the years. However, with the discovery of oil at Oloibiri area of Bayelsa State in 1956 by Shell BP, oil has remained a major source of energy and income in Nigeria. The over dependence on oil sector and neglect of the non-oil sector has raised issues on which export sector impacts more on the Nigeria economy. According to Fiiwe & Turakpe (2017), Nigeria can be seen as primarily rural, depending on primary product exports especially crude oil. For instance, at independence, the major export commodity was cocoa and the leading sector in the economy was the agricultural sector. But today, crude oil is the major export because of the perceived large revenue it generates. The discovery of crude oil in Nigeria has had both negative and positive effect on the economy. Negatively, the effect of oil exploration on the oil well communities and its inhabitants has led to many issues in the country's political, social and economic life. Although it is not questionable if the country has had large proceeds from the export of petroleum products, but the effect of such proceeds on the growth of the Nigerian economy is questionable.

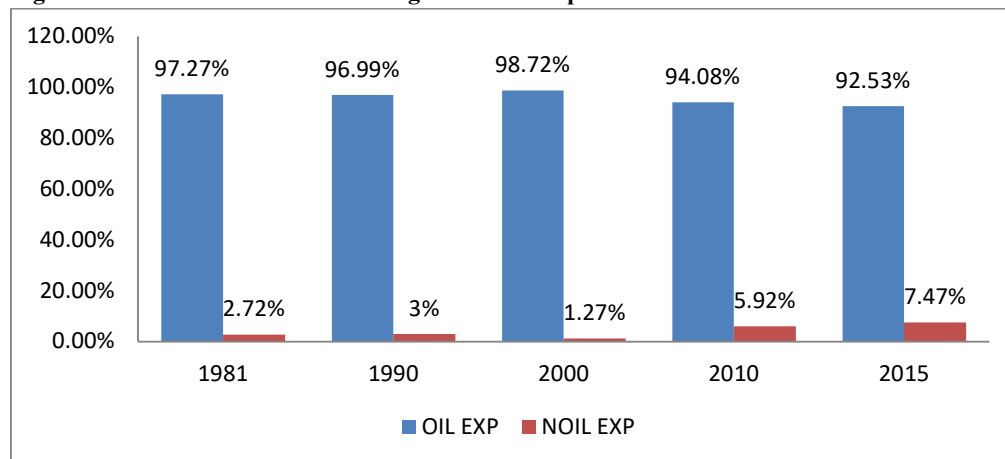
Prior to the oil boom in the 1970s, Agriculture was the dominant sector of the economy. The exports of non-oil products contributed about 70% of the gross domestic product (GDP) employing about the same percentage of the working population and accounting for about 90% of the foreign earnings and federal government revenue (Ajayi, 2016). The early period of independence up till mid 1970s saw a growth of industrial capacity

and output, as the contribution of non-oil exports to GDP rose from 4.4% to 6.5% (UNCTAD, 2015). The pattern changed when oil suddenly became of strategic importance to the world economy through its supply-price trend. A structural analysis of Nigeria's export shows that between 1960 and 1970, non-oil exports comprising mainly of agricultural products such as cocoa, palm products, cotton, ground nut, timber and rubber dominated total exports, accounting on the average over 80% of total export (Ajayi, 2016). In fact, available literature on the Nigerian economy has it that Nigeria was primarily an agrarian economy, whose revenue generation was based on agriculture. Statistics from the National Bureau of Statistics (NBS) indicates that between 1958 and 1969, the contribution of petroleum (GDP) at current factor was just 0.007%, while agriculture formed the mainstay of the country's economy accounting for higher percentage of Gross Domestic Product (GDP) (NBS, 2005).

After the discovery of oil in commercial quantity, petroleum industry in Nigeria became the largest industry. Oil provided approximately 90% of foreign exchange earnings and about 80% of Federal revenue and contributes to the growth rate of Gross domestic product (GDP) of the Nigerian economy. The oil boom of the 1970s led to Nigeria's neglect of its strong agricultural and light manufacturing non-oil bases in favour of an unhealthy dependence on crude oil. In 2002 oil and gas exports accounted for more than 98% of export earnings and about 83% of federal government revenue (CBN, 2016). In 2011, fuel exports were 89% of all merchandise exports (Igberaese, 2013). Oil export represented 97.27% of total export in 1981, for example, from 1992 to 1995, oil export has never gone below 90% of total export while non-oil export had been within the range of 2.7% to 3.0%. Moreover from 1996 up to 2010, the trend had been the same, oil sector export ranged on the average of about 95% and non-oil exports maintained its range of about 3% (CBN, 2011)

Over the past two decades, the percentage of total exports that was as a result of oil exports has been over 90%, while non-oil has contributed small percentage. This shows that oil exports have been greatly favoured at the expense of the non-oil exports. (See figure 1.1).

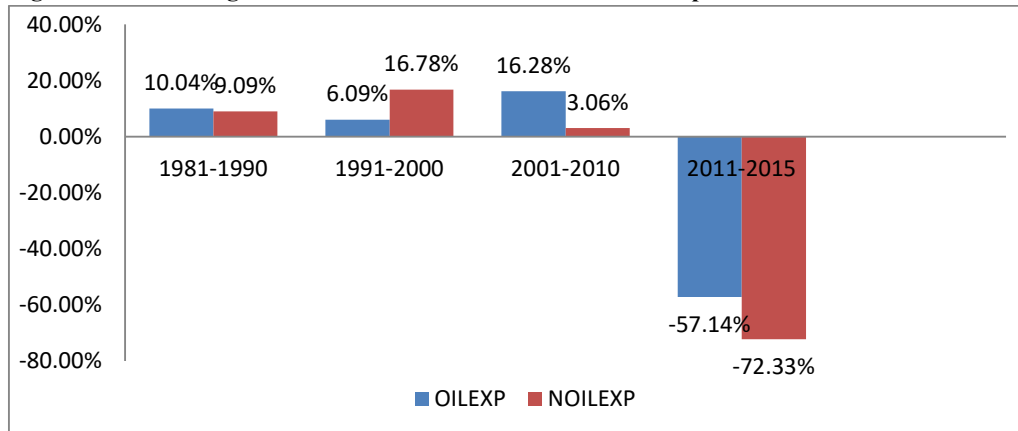
**Figure 1.1: Oil and Non-Oil Percentages of Total Exports**



*Source: CBN Statistical Bulletin and Author's Computation and Graphing*

There has been an increase in the exportation of oil and non-oil exports, with the increase in oil exports far higher than that of the non-oil exports (See figure 1.2). From 1981 to 1990, oil exports increased by 10.04% while non-oil exports increased by 9.09%. The next 10 years (1991-2000) saw an increase in oil exports by 6.09% with an increase in non-oil exports by 16.78%. However, between 2011 and 2015, both oil and non-oil exports declined as the percentage decreases were 57.14% for oil exports and 72.33% for non-oil exports, with the large decrease in oil exports owing to the volatility of oil prices and demand in recent times.

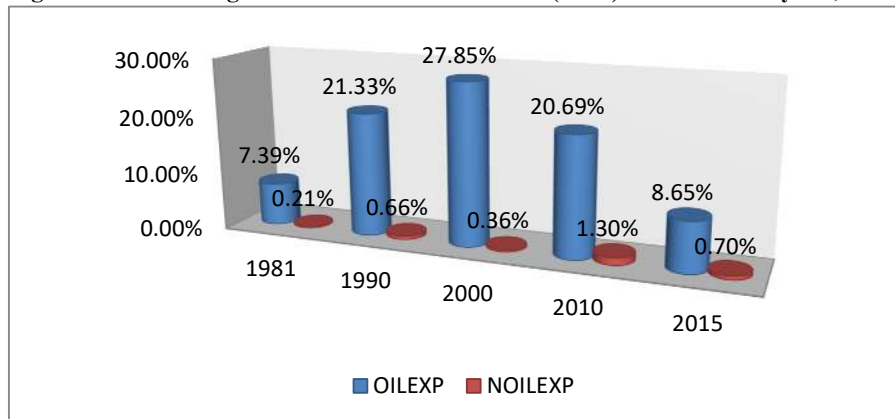
**Figure 1.2: Percentage Increase/Decrease in Oil and Non-Oil Exports**



*Source: CBN Statistical Bulletin and Author's Computation and Graphing*

In 1981, oil exports contributed 7.33% to the nation's GDP while non-oil exports contributed 0.21% and such trend continued. This showed that the export performance of the country at that period was relatively low. Due to crisis in the world oil market and reductions in its demand, the oil exports contributed only 8.65% to GDP in 2015, and non-oil contributions remained low as ever at 0.70% (see figure 1.3)

**Figure 1.1: Percentage of Gross Domestic Product (GDP) Contributed By Oil, Non-Oil Export**



*Source: CBN Statistical Bulletin and Author's Computation and Graphing*

The low contribution of non-oil exports to the nation's GDP could be attributed to lack of government interest in boosting the activities of other non-oil sectors in the economy. The technological base is weak primarily due to lack of investment in research, development and innovation. (Adofu, Taiga, Tijani, 2015 and Gbadebo, 2018).

As alternative fuels become more popular and oil importing countries continue to discover oil deposits, there is a need for the Nigerian economy to diversify and look to other more manageable non-oil sources of foreign exchange and government revenue to spur economic growth (Igberaese, 2013). Hence the need for more current comparative study of oil and non-oil exports in Nigeria as an indicator of the level of emphasis on non-oil production and export diversification in the Nigerian economy.

## **Literature Review**

In the quest for establishing how important export is to any economy, most of the early development economists resolved on the concept of export-led growth (ELG) hypothesis. Export-led growth (ELG) hypothesis postulates that export growth is one of the key determinants of economic growth. It holds that the overall growth of countries can be generated not only by increasing the amount of labour and capital within the economy but also by expanding exports and that exports are the main determinant of overall economic growth. One of the main arguments in support of the hypothesis is that export growth may affect total factor productivity through dynamic spill over effects on the rest of the economy (Feder, 1983).

Various studies abound that establishes that export trade enhances economic growth. Oruta, (2019), examined the impact of non-oil export on economic growth in Nigeria, using the Ordinary Least Square (OLS) for the analysis with the aid of data sourced from CBN statistical bulletin for the period of 1980 to 2010. It was discovered generally that non-oil export has a significant impact on economic growth in Nigeria. It was recommended as a policy implication and concluded that the government should make ideas that will regulate its spending in the country and promote economic growth in Nigeria. Gbadebo (2018), anchoring on Harrod-Domar theory and Solow's theory of economic growth used Ordinary Least Square regression and Cobb-Douglas production function to test the impact of crude oil on Nigerian economy. Their result shows that crude oil export contributes to Nigerian economic growth but has no significant improvement on its growth. Its recommendations are the implementation of policies that encourage private participation in oil activities. Kawai (2017), adopting the Phillips Perron and Engle Granger Model, (EGM), investigated the impact of non-oil exports on economic growth and discovered a positive and insignificant relationship between both variables. The study recommended diversification and investment into the non-oil sector of the economy. Alimi (2017), investigated the impact of globalization on non-oil export performance in Nigeria. Using time series data, the researcher employed Autoregressive Distributed Lag (ARDL) approach to analyse this relationship for the period 1970-2014. Results showed a positive relationship between globalization and non-oil exports. He recommends the adoption of trade policies that are capable of sustaining non-oil sector growth in Nigeria.

Fiiwe and Turakpe (2017), carried out a comparative analysis of the role of crude oil export and non-oil export in relation to Nigeria economic growth. Data from the period of 1980-2015 was used. Ordinary Least Square (OLS), Augmented Dickey Fuller (ADF), Co-integration and Error Correction Model were used in this analysis. Findings suggest both oil and non-oil sector have positive impact on GDP. It also showed along run relationship of oil and non-oil exports with the Nigerian economy. The study recommends that the government should implement export diversification policies and non-oil exports should be encouraged. Kromtit et al, (2017), examined the contribution of non-oil export to the growth of the Nigerian economy for the period 1985-2015. ADF test was used to test for unit root and stationarity of variables. ARDL regression indicated a positive but not significant relationship between non-oil exports and GDP. The study recommended formulation of policies for FDI, provision of credit to non-oil sectors and participation of government in non-oil sector activities.

Ajayi, (2016), carried out an empirical analysis the impact of oil and non-oil export on Nigerian economy from 1989-2014. He reviewed literature on the macroeconomic policy and the relative impact of oil and non-oil export on the economy. It also reviewed the contribution of both oil and non-oil export on Nigeria Gross Domestic Product over the years and compared the contribution of both oil and non-oil export on Nigerian economy. This was necessitated by the need to understand the contribution of both oil and non-oil export on Nigerian economy. The study concluded that oil has greater contribution to the economic growth of Nigeria due to the neglect of agriculture since the beginning of oil boom. However, this work failed to compare the average values of oil and non-oil exports and also did not compare their effects on the Nigerian economy. Riti, Gubak, and Madina, (2016), conducted a study on the growth of non-oil sectors: A key to diversification and economic performance. Autoregressive Distributed Lag and VECM Granger causality model were used to estimate the short run and long run parameters as well as the direction of causality of the variables. The result confirmed the existence of co-

integration among the variables. The granger causality results showed that agricultural component, manufacturing component and telecommunication component are statistically significant and Granger-caused economic growth at 5% significance level. The long run parameters indicated that agriculture and telecommunication components are positively contributing to GDP, manufacturing components turned out negative though significant. This is an indication of un-explorative nature and the neglect of the sector.

Adel, (2015), investigated the role of oil and non-oil exports in the Syrian economic over the period 1975-2010. The ADF unit root test, Johansen co-integration test, Granger causality test, impulse response functions (IRF), and variance decomposition (VD) analysis were used in this study. The co-integration test indicates that GDP is positively and significantly related to oil and non-oil exports. The Granger causality test indicates bidirectional short-run causality relationships between GDP, oil exports and non-oil exports. There are also bidirectional long-run causality relationship between non-oil exports and GDP, and unidirectional long-run causality relationship running from oil exports to GDP. The study result indicates that oil exports have the biggest effect on the GDP, thus he suggested the encouragement of non-oil export and increase in diversification. Chukwu (2014), studied the impact of export trading on the Nigerian economy. The econometrics tools used in this study include; Ordinary Least Squares (OLS) and Granger Causality test which were used to determine the level of impact that one variable has on the other as well as the direction of causality between them. The result arising from findings indicates that oil export positively and significantly impacted on the growth of Nigeria's economy for the period under review. It was also shown in the result that non-oil export has a positive and significant impact on GDP. Adenugba (2013), studied the contribution of non-oil exports in the economic growth of Nigeria. The study evaluates the performance of Nigeria's export promotion strategies as to whether they have been effective in diversifying the productive base of the Nigerian Economy from Crude oil as the major source of foreign exchange. The study runs from 1981 through 2010. Findings from the study reveal that non-oil exports have performed below expectations giving reason to doubt the effectiveness of the export promotion strategies that have been adopted in the Nigerian Economy. The study made some recommendations for diversification to be achieved and for enhancing the productivity and output of non-oil commodities as well as providing markets for the commodities.

Onudogu, Ikpe, Anowor (2013) investigated the impact of non-oil exports on the growth of Nigeria economy using data from 1981 and 2012. The study adopted the Augmented Production Function (APT), and employed the Endogenous Growth Model (EGM) in their analysis. Mean diversion and co-integration test was also used. Findings reveal that there is a weak and almost insignificant relationship between non-oil export and the level of economic growth in Nigeria. Adesoji, and Sotubo, (2013) studied Non-oil exports and the economic growth of Nigeria: A study of agricultural and mineral resources. The study evaluated the performance of Nigeria's export promotion strategies as to whether they have been effective in diversifying the productive base of the Nigerian Economy from Crude oil as the major source of foreign exchange. The study was carried out for the period 1981 to 2010. Findings from the study revealed that non-oil exports have performed below expectations giving reason to doubt the effectiveness of the export promotion strategies that have been adopted in the Nigerian Economy. The study revealed that the Nigerian Economy is still far from diversifying from crude oil export and as such the crude oil sub-sector continues to be the single most important sector of the economy. The study made some recommendations for diversification to be achieved and for enhancing the productivity and output of non-oil commodities as well as providing markets for the commodities.

Olurankise, and Bayo, (2012), carried out an analysis of the impact of non-oil sector on economic growth from 2000 to 2008. OLS statistical tool was used and findings revealed that non-oil export has positive effect on the growth of the Nigerian economy during the period under review, though the performance in terms of output level and revenue generation was below expectation. The paper recommends the need to increase production in both agricultural and manufacturing sectors to ensure product availability for both local and export purposes.

Evidence from the above reviewed studies showed that comparative studies on the contributions of both oil and non-oil exports is lacking especially given the remarkable changes in the Nigerian economy. Most studies concentrated on either oil or non-oil exports and have failed to look at both variables in a comparative analysis to check the effects of these variables and discover which variable has a more significant effect on the economy. This study filled that major gap by comparing both their average values and their magnitude effects on the Nigerian economy.

**Methodology**

This comparative study captured two objectives. First we used Analysis of Variance (ANOVA), a dummy variable regression model, to compare the average values of oil and non-oil exports in Nigeria within the scope in study and determine if they differ significantly. Hence, we would regress Nigeria exports against two exclusive qualities, which include being oil exports and non-oil exports. Our ANOVA regression function can be stated as follows:

$$\text{Exports} = \beta_1 + \beta_2\text{NOILEXP} + \mu \text{ ----- (3.1)}$$

Where:

Exports= Total Nigerian Exports,  $\beta_1$ = Intercept of the model representing the mean of oil exports which we took as our bench mark category,  $\beta_2$ = Differential intercept coefficient of non-oil exports indicating by how much the mean of non-oil exports differ from that of oil exports in Nigeria within the scope of this study, NOILEXP = A binary variable indicating whether export is non-oil (= 1, if yes; = 0, if otherwise),  $\mu$  = Error term.

Second, we utilized LOG linear model using Ordinary Least Square (OLS) technique determine and compare the effects of oil and non-oil exports on Nigerian economy. The OLS technique is preferred following the fact that it is the best linear unbiased estimator for economic relationships. Thus, OLS technique is a statistical tool, which helps to predict one variable from the other variable(s) on the basis of the assumed nature of the relationship between the variables. “Least squares” means that the overall solution minimizes the sum of the squares of the errors made in the result of every single equation.

Following the second objective, we can specify the functional form of the log - log model of this research as:

$$\text{GDP} = F(\text{OEXP}, \text{NOEXP}, \text{EXR}) \text{ ----- (3.2)}$$

Where:

GDP = Nigeria Gross Domestic Product, OEXP = Nigeria Oil Exports, NOEXP = Nigeria Non-Oil Exports, EXR = Exchange Rate

We can specify the Log - Log model for the objective two thus:

$$\text{LOG}(\text{GDP}_t) = \alpha_0 + \alpha_1\text{LOG}(\text{OEXP}_t) + \alpha_2\text{LOG}(\text{NOEXP}_t) + \alpha_3\text{EXR}_t + \mu_t \text{ ----- (3.3)}$$

Where:

LOG(GDP<sub>t</sub>) = Log of Nigeria Gross Domestic Product at time t, LOG(OEXP<sub>t</sub>) = Log of Nigeria oil exports at time t, LOG(NOEXP<sub>t</sub>) = Log of Nigeria non-oil exports at time t, EXR<sub>t</sub> = Nigeria exchange rate at time t,  $\alpha_0$ = Model intercept which shows the value of the GDP without the influence of the oil exports, non-oil exports and exchange rate,  $\alpha_1$ ,  $\alpha_2$ , and  $\alpha_3$ = Parameters of the model which indicates the rate of change in the GDP as a result of a unit change in oil exports, non-oil exports and exchange rate respectively,  $\mu$  = Error tem representing among other things, unobserved explanatory variables. EXR is included in the multiple regression model as a control variable.

**Results of Model Estimations and Interpretation**

All research variables were subjected to unit root test using Augmented Dickey Fuller (ADF) to test for their stationarity. The results obtained were summarized as follows:

**Table 4.1 Unit Root Test Results**

| Variable | Level Form |                   | First Differencing |                   | Order of Integration |
|----------|------------|-------------------|--------------------|-------------------|----------------------|
|          | ADF        | 5% Critical Value | ADF                | 5% Critical Value |                      |
| GDP      | 9.594510   | -2.9472           | -                  | -                 | I[0]                 |
| OILEXP   | -0.72897   | -2.9472           | -4.298742          | -2.9499           | I[1]                 |
| NOILEXP  | -0.53839   | -2.9472           | -5.18069           | -2.9499           | I[1]                 |
| EXCR     | -0.84047   | -2.9472           | -3.89234           | -2.9499           | I[1]                 |
| INTR     | -3.4224    | -2.9472           | -9.27343           | -2.9499           | I[1]                 |

Source: E-views Result

From the result in 4.1 above, the ADF statistic of GDP is stationary at level, and thus integrated of order zero I(0). The ADF statistics of OILEXP, NOILEXP, EXCR and INTR were not stationary at level form as their ADF values were less than their respective critical values at 5% level of significance. This implies that only GDP fluctuates around a given mean overtime at level form while the other variables do not. It means that the movements of the other variables are not predictable at level form and is not good for economic forecasting. The non stationary variables at level form became stationary at first differencing which implies that they are integrated of order one I(1).

**Estimated Result for (ANOVA)**

Dependent Variable: EXPORT

Method: Least Squares

| Variable | Coefficient | Std. Error | t-Statistic | Prob.  |
|----------|-------------|------------|-------------|--------|
| C        | 3944.639    | 575.3644   | 6.855896    | 0.0000 |
| DNOILEXP | -3725.525   | 813.6882   | -4.578566   | 0.0000 |

$$Exports = 3944.639 - 3725.525NOILEXP$$

The ANOVA regression above compares the average values of oil and non-oil exports in Nigeria with oil exports as the bench mark category. It shows an intercept of 3944.639. This indicates that the average value of oil exports in Nigeria from 1985-2020 is ₦3944.639bn. The differential intercept coefficient of non-oil exports indicates that the average values of non-oil exports is less than that of oil exports by ₦3725.525bn within the stated period.

This indicates that the average value of non-oil exports within the period is ₦3944.639bn - ₦3725.525bn which is ₦219.114bn. The probability value of the coefficient of non-oil exports is 0.0000 indicating that the difference between the average values of oil exports and non-oil exports is highly statistically significant at both 1%, 5% and 10% levels of significance.

**Estimated Result for OLS**

Dependent Variable: LOG(GDP)

Method: Least Squares

| Variable           | Coefficient | Std. Error        | t-Statistic | Prob.    |
|--------------------|-------------|-------------------|-------------|----------|
| C                  | 6.118795    | 0.514165          | 11.90044    | 0.0000   |
| LOG(D(OILEXP))     | 0.326325    | 0.109994          | 2.966746    | 0.0109   |
| LOG(D(NOILEXP))    | 0.450941    | 0.110294          | 4.088526    | 0.0013   |
| D(INTR)            | -0.026620   | 0.049299          | -0.539967   | 0.5983   |
| D(EXCR)            | 0.038930    | 0.018713          | 2.080395    | 0.0578   |
| R-squared          | 0.882474    |                   |             |          |
| Adjusted R-squared | 0.846312    | F-Statistics      |             | 24.40342 |
| Durbin-Watson stat | 1.809851    | Prob(F-statistic) |             | 0.000006 |

$$\text{LOG (GDP)} = 6.1188 + 0.32632\text{OILEXP} + 0.4509\text{NOILEXP} - 0.02662\text{INTR} + 0.03893\text{EXCR}$$

**Economic Criterion Analysis**

The estimated model above indicates that OILEXP and NOILEXP have a positive relationship with GDP which confirms to A priori expectation. The intercept parameter, 6.118795 indicates that without the influence of OILEXP and NOILEXP, INTR and EXCR, the value of GDP would be 611.8795. Using the log form of GDP, OILEXP and NOILEXP in the model regression, the slope parameter of OILEXP = 0.3263 indicates that a 1% increase in the Nigerian oil exports will increase the GDP by 32.6%. Also, the slope parameter of NOILEXP = 0.4509 indicates that a 1% increase in the Nigerian non oil exports will increase the GDP by 45.09%.

Comparatively, these figures indicates that increase in Non-oil exports would bring about a higher increase in GDP than increase in Oil exports. The table below shows the signs of the variables.

**Table 4.2: A Priori Expectation Result of the Model**

| S/n | Variables | Expected Sign | Obtained Sign | Remarks          |
|-----|-----------|---------------|---------------|------------------|
| 1   | OILEXP    | +             | +             | Conforms         |
| 2   | NOILEXP   | +             | +             | Conforms         |
| 3   | INTR      | -             | -             | Conforms         |
| 4   | EXCR      | -             | +             | Does not conform |

**Statistical Criterion**

**Table 4.3: Significance of Effects of variables on the Nigerian Economy**

| Variable  | Calculated t's | Tabulated t <sub>0.05</sub> | P-Value | Significance    |
|-----------|----------------|-----------------------------|---------|-----------------|
| Intercept | 11.90044       | 2.05                        | 0.0000  | Significant     |
| OILEXP    | 2.966746       | 2.05                        | 0.0109  | Significant     |
| NOILEXP   | 4.088526       | 2.05                        | 0.0013  | Significant     |
| INTR      | -0.539967      | 2.05                        | 0.5983  | Not significant |
| EXCR      | 2.080395       | 2.05                        | 0.0578  | Significant     |

For goodness of fit, the value of coefficient of multiple determination ( $R^2$ ) = 0.882474 indicates that the explanatory variables OILEXP, NOILEXP, INTR and EXCR explain about 88.24% of the variations in the dependent variable, GDP. The adjusted coefficient of multiple determination, Adjusted  $R^2$  = 0.846312 indicates



that when adjusted for the degree of freedom associated with the sum of square in the model, the explanatory variables would still explain about 84.63% of the variations in dependent variable, GDP. The probability f-statistic 0.000006 multiplied by 100 is less than 5 meaning that the regression is significant at 5% level of significance. We therefore conclude that OILEXP and NOILEXP have a joint statistical significant effect on GDP at 5% level of significance.

**Econometric Criterion**

We used Durbin-Watson statistics to check if auto correlations exist in the model. The Durbin-Watson statistic as well as Durbin-Watson upper and lower table values is as tabulated in the table 4.3 below

**Table 4.3: Durbin-Watson Value**

| Durbin Watson lower value | Durbin Watson statistics | Durbin Watson upper value |
|---------------------------|--------------------------|---------------------------|
| 1.236                     | 1.809851                 | 1.724                     |

Source: E-Views result and Durbin-Watson Statistics Table

From the regression output Durbin-Watson statistics d is 1.817684. From statistical table Durbin Watson lower value  $d_l = 1.236$  while Durbin Watson upper value  $d_u = 1.724$  and  $4 - d_u = 4 - 1.724 = 2.276$ . Hence  $d_u < d < 4 - d_u$ . That is,  $1.726 < 1.80985 < 2.276$ . This falls in the acceptance zone. Therefore, we accept the null hypothesis  $H_0$  and conclude that there is no auto correlation in the model.

**Discussion of Findings**

The outcome of this research has indicated that Oil exports and Non-oil exports explain a high proportion of variations in the Gross Domestic Product of Nigeria. It has also shown that both Oil exports and Non-oil exports have a positive significant effect on GDP, with Non-oil exports having a higher influence on GDP than Oil exports. The result of the ANOVA regression showed that Non-oil exports have been neglected in favour of the Oil exports as indicated by high difference between their average values. This is against the economic diversification principle away from oil which every regime in Nigeria proclaims. It is well known that oil is a natural resource and hence, Non-oil economic activities indicates the production capacity and productivity level of any economy. Even the result of model two has shown that increase in non oil exports has higher effect on Nigeria economy than oil exports. Thus, the Nigerian government needs to step up their Non-oil activities such as manufacturing and agricultural activities so as to grow the global competitiveness of the Nigerian economy.

**Conclusion**

The above literature has presented a detailed account of information related to oil and non-oil exports in the Nigerian economy. The findings are evidence that the nation has depended on oil exports and neglected the non-oil sector. This is because of the money spinning nature of oil and the refusal to diversify the economy with gains gotten from oil sales. At present, increase in non-oil exports is necessary because its values are low and an increase in Non-oil exports would automatically bring an increase in the economy’s gross domestic product. Thus, improving the non-oil sector of the economy is very important.

**Recommendation and Policy Suggestions**

Based on the findings of this study for the period the following recommendations and policy suggestions were made thus:

- More attention should be paid to the Non-oil exports. Increase in production in Non-oil sectors of the economy should be carried out. The Nigerian government needs to step up their non-oil economic activities such as manufacturing and agricultural activities through subsidy and/or tax holiday in order to increase the values of its exports, achieve economic diversification away from oil and automatically increase GDP.

- Since Oil and Non-oil exports show positive relationships with GDP, adequate attention should be paid to both sectors and not focusing all resources and energy on only the oil sector. This positive relationship indicates that a growth in both sectors would be helpful to the economy. The government should engage in investment friendly policies such as interest rate reduction as well as political stability so as to attract more investors from within and outside the country to engage in Non-oil economic activities to help bridge the gap between Oil exports and Non-oil exports.
- Despite both sectors having a positive relationship with GDP, it was seen that increases in the Non-oil sector would bring about a higher increase in GDP than the oil sector. This shows that the development of the non-oil sector of the economy is very important. The government should formulate policy measures that would improve the quality of non-oil products which would drive non-oil exports in Nigeria. Subsidies and Tax holidays can be granted to manufacturers and other economic agents involved in Non-oil activities in order to boost the sector's output and productivity.
- There is need for diversification of the economy as stated earlier. Nigerian policy makers should promote Public-Private Partnership/ Participation in Non-oil economic activities. A move from dependence on oil exports would be beneficial for the nation in terms of increase in GDP, provision of employment through the activities of the Non-oil sector, increase in the nation's per-capita income and an overall increase in standard of living of the nation as a whole.

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