**CHAPTER ONE**

**INTRODUCTION**

**1.1 BACKGROUND TO THE STUDY**

Trades in most emerging countries, particularly Nigeria, have suffered setbacks in recent times due to current prevailing economic bottlenecks and external shocks arising from world markets and falling oil prices. According to World Bank (2013), the value of exports for goods and services (annual percentage growth rate) in Nigeria was -45.77 as at 2013. The Nigerian economy using 2014 rebase figure placed Nigeria as the largest in Africa. But by the year 2016, economic statistics revealed South Africa's economy as the largest in the continent with a gross domestic product (GDP) of 301 billion US dollars as against Nigerian economy of GDP of 293 billion dollars (2016). The recent collapse of oil prices in the global economy and unrealistic exchange regime in the economy have affected and impacted negatively on the economy, resulting in a downward trend on the resources and revenue base of government. The estimated annual growth rate of the Nigerian economy in the first and second quarter was 2.06% to gross domestic product (GDP) while that of South Africa was estimated at 3% growth rate (IMF 2016). This negative indicator took a toll on the economy resulting into high rate of unemployment put over 30% (NBS, 2016) thereby worsening the socioeconomic condition of the citizens. As if that was not enough, the mono-cultural nature of the economy with long reliance on crude oil exports to neglect other real sectors constituted a major problem to economic diversification.

Since 1950, the world economy has experienced a massive liberalization of world trade, initially under the auspices of the General Agreement on Tariffs and Trade (GATT), established in 1947 and currently under the auspices of the World Trade Organization (WTO) which replaced GATT in 1993. Tariff levels in both developed and developing countries have reduced drastically, averaging approximately 4% and 20% respectively, even though the latter is relatively high. Also, non-tariff barriers to trade, such as quotas, licenses and technical specifications are also being gradually dismantled but at a slower rate when compared with tariffs. Just as there have been a continuous increase in the importance of foreign trade, so also has the study of the concept by researchers been on an increase. This however has led to the evolvement of several theories to analyze the impact of export on economic growth. According to Bbaale and Mutenyo (2011, cited in Ugwebe and Uwakpa 2013), the present literature presents several plausible arguments supporting the view that exporting activities and overall economic growth are positively associated. On the other hand, exporting implies that a country gains access to wider external demand which acts as stimulus to domestic output and hence economic growth. Second, it is frequently argued that small domestic markets may not grow continuously and that any positive economic shock leading to the expansion of the domestic markets is more likely to decay quickly. On the other hand, large external markets do not always encompass growth restrictions of economies of scale. However the relationship between exporting and economic growth remains controversial as some authors have argued that export growth precedes economic growth hence giving a stance to the Export- Led Growth (ELG) hypothesis (Fosuthronton, 1996). On the other hand, others have provided evidence in support of Growth-Led Export by arguing that economic growth comes before export growth (Krugman, 1894; Manchester, 1980; Henrique’s and Sardosky, 1996; Al-Yousif, 1999; Kravis2014).

Historically, the root of Nigeria’s economic crisis lies in the neglect of the real sectors and the increased dependence on a mono-cultural economy based on oil (Olagbaju and Falola, 1996).After 5 years of oil windfall, the dwindling oil prices since June 2014 has immensely affected the economy of Nigeria which was greatly aggravated by the Middle East unrest and war. Another huge blow to the crude oil exporters was America's reduction in the number of barrels they import from member nations (Moses and Michael 2015).These factors have created a bad market for Nigeria and also caused the recession her economy recently faced. There are increasing literatures on the impact of export earnings on Nigeria's economic growth. Noko (2016) asserts that export earnings accounts for over 80% of government revenue since 1977 to 2016 when the oil price slumped down. He argued that because of over reliance on oil export over other non-oil export the earnings of Nigeria tends to fluctuate with changes in the oil price, It is in the light of the above that this research work aims at analyzing the effect of total export earnings on the Gross Domestic Product of Nigeria in a recessionary period.

**1.2 STATEMENT OF THE PROBLEM**

Nigeria is generously endowed with abundant natural resources such as crude oil, columbine, limestone, coal, lead, iron ore, tin, with a whole lot of agricultural produce amongst which are; cocoa, rubber and timber. All these resources, if carefully and properly harnessed, will foster the economic growth and development of Nigeria. Yet the Nigerian economy has from time to time been crippled by issues like corruption, balance of payment problem, high debt, inflation and unemployment; making Nigeria to remain underdeveloped whereas she stands a better chance to become one of the world leading economies. Gani (2011) noted that with the oil boom in the 1970s was an immense rise in the country’s foreign exchange earnings which in turn resulted in a higher economic growth. This period was also characterized by high level of expenditure on the part of government capital intensive project and administration course. In the late 1970s and early 1980s, there was a fall in the world oil price and this resulted to series of macroeconomic problems as a result of over-dependency on oil sector. Amongst the macroeconomic problems that emerged are; high rate of unemployment, price instability, balance of payment deficit, budget deficits which led to government borrowing from external bodies to meet up with capital intensive projects. The export earnings of Nigeria keep fluctuating largely due to the problem from oil price fluctuation which Nigeria has no control over. The oil price keeps deteriorating from the early 1980s reaching its worse scenario in February 2016 when oil price was at 39 dollars per barrel contributing majorly to the recent economic recession faced by Nigeria’s economy. The common question asked by policy actors is why Nigerian’s government cannot develop its real sectors (agriculture, manufacturing, mining, power, tourism, sports and entertainment sectors etc.) to reduce the dependence on oil in order to stabilize export earnings in the country. In the light of the above identified problem peculiar with Nigerian export earnings, this research work attempts to verify the effect of this variable in a recessionary period and hence close the gap in knowledge inherent in other studies.

**1.3 RESEARCH QUESTIONS**

i. Do total export earnings have any significant effect on the Gross Domestic Product of Nigeria in recessionary period?

ii. What is the cause and effect relationship between total export earnings and Gross Domestic Product (GDP)?

iii. What measures should be taken to diversify the export base of Nigeria?

**1.4 OBJECTIVES OF THE STUDY**

Specifically the objective of this study includes:

i. To examine the effect of total export earnings on the gross domestic product of Nigeria in a recessionary period

ii. To examine the cause and effect relationship between total export earnings and Gross Domestic Product of Nigeria.

ii. To recommend various ways the export base of Nigeria could be diversified to yield more revenue and foster economic growth and development.

**1.5 HYPOTHESES OF THE STUDY**

H0: Total export earnings do not have any significant effect on the gross domestic product of Nigeria in a recessionary period.

H1: Total export earnings have significant effect on gross domestic product of Nigeria in a recessionary period.

**1.6 SIGNIFICANCE OF THE STUDY**

The effect of total export earnings on gross domestic product (GDP) of any nation cannot be overemphasized; since increase in total export earnings over its counterparts, imports, would make any nation better off in trade with other countries and also aid in preventing or minimizing business cycle contractions/shocks that trigger off economic recession through adequate management and diversification of the export base of the nation. Therefore, this work may be of immense importance to government, its agencies and the general public. The Ministry of Trade and Industry, investors as well as financial intermediaries or institutions may also find this work useful. Above all, it will be a stream of knowledge for economists, students, and researchers who are interested in issues relating to Export, Gross Domestic Product (GDP) and Economic Recession.

**1.7 SCOPE OF THE STUDY**

The analysis of this research work covered the period 1987-2017 using annual and quarterly time series data.

**1.8 OUTLINE OF THE STUDY**

This project work was done in six chapters. Chapter one covered the introduction which presents; the background to the study, statement of the problems, research questions, objectives of the study, research hypotheses, significance of the study, scope of the study and the organization/outline of the study. Chapter two focused on literature review which was done under 3 sub-headings; conceptual issues (concept of export earnings, concept of gross domestic product (GDP) and concept of economic recession), theoretical framework (Heckscher-Ohlin theory of international trade and keynessian macro economic theory) and empirical literature review on export earnings, gross domestic product and recession both abroad and in Nigeria. Chapter three buttressed more on recession, exports earnings and gross domestic products in Nigeria.

Chapter four expressed the research methodology via the research design, types and sources of data, model specification and technique of analysis. Chapter five deals with data presentation and analysis under 3 sub-headings; data presentation, data analysis and interpretation of results and discussion of findings. Chapter six ends the research work which is sub-divided into; summary of findings, conclusion, recommendations, limitations of the study, suggestions for further studies and contributions to knowledge.

**CHAPTER TWO**

**LITERATURE REVIEW**

**2.1 CONCEPTUAL ISSUES**

**2.1.1 Concept of Export Earnings**

Export earnings are payments received for goods and services produced domestically and purchased by foreigners. According to Afolabi (2011), exports can be defined as surplus goods and services of a country that are sent to other countries of the world for sale. Samuelson and Nordhaus (2010) see exports as the mirror image of imports. That one country’s exports is another’s imports. However, export is any good or commodity transported from one country to another country in legitimate fashion typically for use in trade (Oluchi, 2007). International trade is very important in the expansion of the economy of a country because it allows for the development of markets, creates employment, reduces the rate of poverty and breaks monopolies by discouraging the domination of a market by a few. Export trade is a sub-division of international trade where goods produced in one country are transported to another country for sale or trade as a crucial element of a country’s economy; exports stimulate economic growth. Some of the biggest companies in developed countries derive a sizeable portion of their annual revenue from exports. Some of the world’s biggest exporting countries are China ($2.3 trillion), United States ($1.3 trillion), Germany ($1.5 trillion), Japan ($683 billion), Netherlands ($672 billion) etc. Export trade facilitates economic expansion, promotes international co-operation, improves balance of payments and boosts foreign currency earnings (Ayanru 2017).

**2.1.2 Concept of Gross Domestic Product (GDP)**

Gross Domestic Product is the market value of all legitimately recognized final goods and services produced in a country in a given period of time, usually one year. According to The Economist (2014), Gross Domestic Product (GDP) is the total monetary value of all goods and services produced in a country over a specific period of time usually one year. It is one of the international indicators used to weigh the health of a country’s economy. In 1934, for a United States congress, Simon Kuznets developed the GDP and warned in his report that the GDP should not be used as a measure of welfare due to its inherent limitations. Gross Domestic Product according to National Bureau of Statistics (2013), is the market value of all officially recognized final goods and services produced within a country in a given period usually a year. It measures overall economic activity and signals the direction of economic growth and welfare. It is also a barometer used to measure the health of the economy and also an internationally recognized indicator for measuring the size of an economy in a given period of time. In other words, it is the total value of goods and services produced within the country during an accounting period usually a year. This is calculated at market price and is known as GDP at market prices (Jhingan 2010). Denberg in Jhingan (2010) defined GDP at market price as the market value of final goods and services produced in the domestic territory of a country during an accounting year. There are 4 types of Gross Domestic Product viz:

i. **Nominal GDP:** Total value of goods and services produced at current market prices. This includes all the changes in the market prices during the current year due to inflation or deflation.

ii. **Real GDP:** The sum of all goods and services produced at constant prices. The prices used in determining the GDP are based on certain base year or the previous year. This provides a more accurate account of economic growth as it is already in inflation-adjusted measurement.

iii. **Actual GDP:** Time measurement of all outputs at any interval or any given time. It demonstrates the existing state of business of the economy.

iv. **Potential GDP:** Ideal economic condition with 100% employment across all sectors, steady currency and stable product prices.

**2.1.3 Concept of Economic Recession**

A recessionary period is defined as a period of negative economic growth. In most parts of the world, recession is technically defined as two consecutive quarters of negative economic growth when real output falls. The National Bureau of Economic Research (NBER) defined a recession as a significant decline in economic activity spread across the economy, lasting more than few months, normally visible in real Gross Domestic Product (GDP), real income, employment, industrial production and wholesale-retail sales.

According to Central Bank of Nigeria (2012), recession is a business cycle contraction and it refers to a general slowdown in economic activity for two consecutive quarters. During recession there is usually a decline in certain Macro Economic indicators such as GDP, employment, investment, spending, capacity utilization, household income, business income and inflation, with the attendant increase in the rate of unemployment. The business cycle is the upward and downward movement of the level of Gross Domestic Product (GDP) and refers to the periods of expansions and contractions in the level of economic activities (business fluctuations) around its long-term growth trend. These fluctuations involve shifts over time between periods of relative rapid economic growth (Boom) and periods of relative stagnation or decline (recession or contraction). A typical business cycle as demonstrated in Figure 1, has periods of Booms (prosperity), followed by a period of recession, slump and recovery. During the boom period, there is minimal unemployment: high production and consumption; high standard of living; high inflation and so on, it is a period when most macroeconomic indicators are positive. In a recessionary period, economic activities slowed considerably. When economic activities reach the lower part of Figure 1 it is said to be in a slump (depression): a prolonged recession. Most macroeconomic indicators remained negative for a long time usually more than two years. Subsequently, the cycle enters a recovery period. This is as a result of the impact of fiscal policy (the use of taxes and government expenditure) and monetary policy (the cost and availability of money) to stimulate economic activities. Demand and other macroeconomic indicators begin to pick up, leading to increased investment and production of goods and services in the economy; gradually the boom will be restored and the cycle continues.

Boom

Boom

GDP Growth

Recovery

Recession Recession

Slump

**Figure 1:** Showing Business Cycle Fluctuations

The major causes of economic recession in any economy (lesson from great depression, 1981, 1991, 2004, 2008-2009 global economic recession), may include:

1. High inflation, a general rise in price of goods and services – leading to low purchasing power.
2. Accumulation of debt servicing especially foreign debts.
3. High interest rate-discouraging investors.
4. Fall in aggregate demand, fall in wages, income
5. Mass unemployment and general loss of confidence on the government due to economic indices.

There is general economic decline during recession. The economy has tremendous set back. The purchase of the people comes down due to low salaries, lack of sufficient income. This results in slump in market with goods and services not being availed of by people. Production slows down and in turn prices go up. In fact, during recession, many firms are forced to sell their products at throw-away prices and suffer from losses as a result. Recession is something to be dreaded by producers as well as consumers. Both suffer during these hard times. Both need each other. In case, consumers do not have the purchasing power, then production suffers. Less production means less profit for producers who will find it difficult to run their business houses. The economic situation during recession is pathetic. It is interesting to know how the economy suffers during such traumatic times as it affects us all. Recession impacts on the economy in various ways viz;

1. **Slump in the Market:** Goods and services are difficult to be sold as the purchasing power of the people comes down.
2. **Stock Price Come Down:** Investment suffers. The industrial production is badly affected as investors avoid investing in companies that might suffer losses during recession. Bigger companies are able to withstand the setbacks but smaller companies have a tough time and some may end up closing down.
3. **Increase in Unemployment:** People are thrown out of jobs. They are left in the lurch. They are unable to meet both ends. Many goods and services are not within their reach.
4. **Depression:** Recession causes depression if it persists for a long time. Negative trends are visible in the stock market and rapid unemployment is there. Companies need to be bailed out by the government. Public spending suffers a setback.
5. **National Debts on the Rise:** Increase in national debt means less money can be spent by the government on development. Banks have to depend on Federal aid for survival. Tax payers’ money is being spent in giving these banks a boost. Recession is definitely bad for economic growth and development, it slows down the economy. Investors hesitate to invest and producers are unable to churn out products. Consumers lack the necessary money due to unemployment and cannot therefore buy goods available in the market.

**2.2 THEORETICAL FRAMEWORK**

**2.2.1 Heckscher-Ohlin Theory of International Trade**

The Heckscher-Ohlin Theory of International Trade advocates for export-led growth. According to Soderston and Reed (1994), the Heckscher-Ohlin theory postulates that international trade of which exports are expected to constitute the major components will significantly reduce the gap between the rich and poor countries. The theory contends that inner-country differences in factor endowments are the basis for foreign trade. Comparative cost advantage comes as a result of different factor intensities in the production of various commodities. The Heckscher-Ohlin theory also implies that free trade specialization in production based on relative factor endowments will tend to bring about factor price equalization and this will increase the return to labour in poor countries to the levels in rich countries; this suggests that international trade in general and exports in particular have the ability to mitigate inequality in income and wealth distribution between and within nations as well as the ability to bring about a convergence in absolute poverty incidence between the rich and poor countries (Ozughahu and Ajayi, 2004). John Stuart Mill (1848 as sited in Oluchi, 2007) in his “Principles of Political Economy”: in addition to static growth of trade and dynamic gain from trade which include:

i. Widen the extent of market, induce innovation and increase productivity.

ii. Have educative effect in instilling new ideas, wants, tastes and transfer of technology, skill and entrepreneurship.

iii. Increase saving and capital accumulation.

Therefore, trade offers poor nations the opportunity of removing domestic shortages to overcome the economics of the small size of its domestic market.

According to Lee and Huang (2002), export growth are vice-versa. The theoretical justification for this hypothesis is discussed as follows: From the growth-theory literature point of view, export expansion is the key factor promoting economic growth. There are various explanations that have been put forward to relate these two variables to each other. Firstly, the growth through its impacts on higher rate of capital formation. Secondly, the growth of exports helps release the foreign exchange constraints, thereby facilitating import of capital goods and hence faster growth. Thirdly, competition from overseas ensures an efficient price mechanism that fosters optimum resource allocation and increase the pressure on industries that export goods to keep cost relatively low and to improve technological change, thereby promoting economic growth. The literature on exogenous growth theory also buttresses the export-driven economic growth nexus. This theory posits that long-run economic growth due to increased exports allows for specialization in the sector with economies of scale. Economies of scale may also arise from human capital accumulation, research and development. Increased exports over imports also harnesses terms of trade and improves foreign exchange earnings. Relative to non-export sectors, enhanced export also has a derived effect as external economies could also lead to improved management styles and achieve efficient production techniques (technological transfers). This can be achieved as producers gain knowledge of best practice of production through their contacts with buyers on the international market (Paul’s Reinhardt and Robinson, 2003). As noted by Glies and Williams (2000), different reasons have been proposed for explaining the evidence found in previews of studies dealing with this issue on export-led growth. The simplest explanation is that as the contribution to growth made by domestic consumption is limited to the size of regional (or national) markets, sales to foreign markets represent an additional consumption demand which increases the amount of real output produced in the economy.

Verdoom (1949) dwells on the argument that export growth may generate specialization in the production of export commodities. By extension, specialization is argued to lead to efficiency gains in the export sector owing to rise in skills due to learning-by-doing. Consequently, resources would flow from relatively less productive and non-trade sector to highly productive exports sector leading to economic growth. A highly robust theoretical underpinning for international trade lies in the classical economic theory of comparative cost advantage. The theory of comparative cost advantage status that global output will reach its optimum level if every country specializes in the production of commodity (or commodities) in which it has comparative cost advantage over others; is seen as the basis of profitable trade (Ozughahu and Ajayi, 2004).Grossman and Helpman (1987) concluded that countries that have adopted outward oriented development strategy have grown faster and achieved higher levels of standard of living than their counterparts who engage in protectionist trade policies. They argued that the less developed nations stand to gain more in international trade since they do not have human and physical resources to bring new products by way of research and development.

**2.2.2 Keynesian Macroeconomic Theory**

Keynes (1936) argued that government spending particularly increase in government spending boosted growth by increasing purchasing power into the economy. Accordingly, government could reverse economic downturns by borrowing money from the private sector and then returning the money to private sector through various spending programmes. Keynes categorized public expenditure as an exogenous variable that can generate economic growth instead of an endogenous phenomenon. Keynes (1936) believed the role of the government to be crucial as it can avoid depression by increasing aggregate demand and thus, switching on the economy again by the multiplier effect. It is a tool that brings stability in the short-run but this needs to be done cautiously as too much of public expenditure leads to inflationary situations while too little of it leads to unemployment. Mankiw (2004) pointed out that Keynes’ primary message was that recession and depression can occur because of inadequate aggregate demand for goods and services. Keynes, he said, has long been a critic of the classical economic theory because it could explain only the long-run effect of policies. Keynes (1936) had written the following about classical economists: “The long-run is a misleading guide to current affairs. In the long-run we are all dead”. Economists set themselves too easy; too useless a task if in tempestuous season they can only tell us when the storm is long past, the ocean will flat”.

Keynes’ opinion was aimed at policy makers as well as economists. As the world’s economies suffered with high unemployment, Keynes advocated policies to increase aggregate demand, including government spending and public works. Blinder (2002) and Sullivian (2003) both noted that Keynes contended that aggregate demand for goods might be insufficient during economic downturns (recession or depression), leading to unnecessarily high level of unemployment and loss of potential output. Keynes argued that government policies (fiscal and monetary policies) could be used to increase aggregate demand, thus increasing economic activities and reducing unemployment. Keynes (1936) argued that the solution to depression was to stimulate the economy (inducement to invest) through some combination of two approaches: a reduction in interest rate and government investment infrastructure. Investment by government injects money, which results in more spending in the general economy, which in turns stimulate more production and investments involving still more income and spending. Keynes theory of public expenditure suggested that active government policies could be effective in managing the economy. Rather than seeing unbalanced government budget as wrong, Keynes advocated that what has been called counter cyclical fiscal policies, tide of the business cycle, deficit spending when a nation’s economy suffers from recession when a recovery is long delayed and unemployment is persistently high and the suppression either through taxes or cutting back government outlay. He argued that government should solve problems in the short-run rather than waiting for market forces to do it in the long-run, because, “in the long-run, we are all dead”. The Keynesian analysis leads to the conclusion that demand management policies can and should be used to improve macroeconomic performance.

**2.3 EMPERICAL LITERATURE**

As the world has become a global village, exports have been considered as growth-enhancing within the traditional development literature. It has been affirmed that an increase of export could be advantageous in terms of alleviating the foreign exchange constraint; ultimately exacting a positive effect on growth. It is crystal clear that there is not a single country that can attain economic growth and development in isolation of trade with other nations. The speed at which Less Developed Countries (LDCs) attain economic growth greatly depends on how they manage their gains from trade with other countries. Over the years, studies, researches and surveys by various researchers abound over the relationship between export earnings, economic growth and recession both abroad and within Nigeria.

Bai (2012) in his thesis examined the effect of global financial crisis on Chinese exports with a focus on total export values of China to its major export destinations (USA, Hong Kong, Japan, Korea, Germany, Netherlands, United Kingdom, Singapore, India and Italy), using the gravity model for the period 2001-2010. The estimation result showed that the real economy and financial conditions of these countries became worse; this was the main reason which led to the decline in Chinese export due to the effects of financial crisis. Ewetan and Okodua (2012) investigated on the applicability of Export-Led Growth (ELG) hypothesis for Nigeria using annual secondary time series data from 1970-2010 and the result obtained did not support Export-Led Growth hypothesis for Nigeria. They concluded that government must diversify the product base of the economy, promote non-oil exports and build up an efficient service infrastructure to drive private, domestic and foreign investment. Bhatt (2013) in his research work on China’s export and Foreign Direct Investment examined foreign direct investment dimensions of China and the causal relationship between Exports, Foreign Direct Investment (FDI) and Gross Domestic Product (GDP). Vector Auto Regression model (VAR) was adopted to estimate the long-run causal relationship among Export, Foreign Direct Investment and Gross Domestic Product (GDP). The co-integration test results showed that there exists a long-run equilibrium relationship among Exports, FDI, GDP. In the estimated error correction model, FDI is a significant variable and the result indicated that one percent change of increase in FDI relates to 0.04 percent change of increase in exports with one year time gap. Granger causality test indicated there is a unilateral relationship between exports and FDI and the direction is from FDI to exports which implied that FDI causes exports.

Alimi and Muse (2013), examined the role of Exports in the economic growth process in Nigeria for a period of 39 years and discovered that economic growth and export are integrated of order one, i.e. 1(1) and as well are co-integrated, indicating an existence of long-run equilibrium relationship between the two. This result was achieved by employing unit root test, co-integration analysis and VAR, Granger causality/erogeneity Wald tests. Olaleye (2013) examined Exports diversification and economic growth in Nigeria using a thirty-year data set of oil, manufacturing and agriculture share of total exports of Nigeria as independent variables and per capita income as the dependent variable. Senait (2014) investigated the contributions of export earnings to the economic growth of Ethiopia for the period 1960-2012 by empirically testing the long-run and short-run relationship and causality between export and economic growth via another macro-economic variable, i.e. import using time series economic techniques of co-integration, vector error correction estimation and Granger causality test and the review of the policies commenced by the different regimes in relation to export. The result from the unit root test showed that all variables are order one integrated: and Johansen co-integration showed the existence of long-run relations among the variables. Furthermore, Granger causality test conducted indicated that in the short-run there is no causality among the variables but in the long-run there is a bi-directional causality among the three variables, including: GDP, Export and Import. The key finding in this study was that export growth positively and significantly affects economic growth and growth also stimulates exports in the long-run. This provides support for the adoption of both Export-Led Growth and Growth-Led Export growth strategies in the case of Ethiopia. He recommended that effort should be directed towards policies that will expand the volume of a country’s exports and at the same time promote the emergence and expansion of domestic industries.

Jarra (2013) examined a causal relationship between exports, domestic demand and economic growth in Ethiopia using time series data over the period 1960-2011. Household consumption and government consumption are used to measure domestic demand. Granger causality and Johansen co-integration tests were employed in the empirical analysis. Result of Johasen co-integration test indicated the existence of long-run relationship among the variables and Granger causality test showed a dynamic relationship between export and economic growth and between domestic demand and economic growth. He established that exports and domestic demand are important for economic growth and economic growth had an impact on export and domestic demand in Ethiopia. Furthermore, he suggested that a successful and sustained economic growth requires growth in both exports and domestic demand and concluded that a balanced emphasis should be on domestic demand, particularly household consumption to push the economy towards higher growth path. Eneji, Mailafia, Umejiaku (2017) researched on The Impact of Economic Recession on Macroeconomic Stability and Sustainable Development in Nigeria. The study used multiple regression analysis of time series data on selected macroeconomic variables in two econometric models. The result showed negative impact of these variables. This study perceived the economic recession as a symptom of deeper structural and fiscal problems inherent in the Nigerian economy and independence on external modern capitalist societies. It recommended that Nigeria needs positive economic change that is caused by structural and fiscal reforms. Also that Nigeria should strive to diversify the economy, be self-reliant and corruption free, eat what she produces and mostly use what she makes. The paper concluded that Nigeria can get out of recession. Kromtit, Kanadi;, Ndangra and Lado (2017) examined The Contributions of Non-oil Export to the Growth of the Nigerian Economy for the period of 1985-2015. Augmented Dickey Fuller was used to test for the unit root and to ascertain the stationary of the variables. The result showed non-oil exports to be stationary at level while the economic growth proxied by Gross Domestic Product (GDP) and exchange rate were stationary at first difference, Auto-Regressive Distributed Lag (ARDL) model was then employed to ascertain the relationship between non-oil exports and GDP. The Bound test conducted showed the presence of co-integration which means a long-run relationship between the variables existed. The ARDL regression result indicated a positive and significant relationship between non-oil export and GDP. This means non-oil export contributed significantly to economic growth in Nigeria. The result also revealed that exchange rate had a negative though not significant relationship with GDP which is in line with economic theory. The study recommended making legislation that makes participation in non-oil sectors like agriculture, solid minerals and manufacturing easy by both local and foreign investors, provision of credit at lower interest rate to the non-oil sectors and direct participation in developing these sectors by the government.

Simasiku and Sheefeni (2017) analyzed the relationship between agricultural export and economic growth in Namibia. The study made use of time series quarterly data covering the period between 1990 and 2014. The stationary, long-run and short dynamics between Gross Domestic Product (GDP) and Agricultural Exports in Namibia were estimated through the employment of Augmented Dickey Fuller test, Johasen co-integration test, and error correction techniques respectively. The empirical findings of the study showed that Agricultural Exports had a positive and insignificant effect on Gross Domestic Product (GDP) while Non-Agricultural exports had a positive and significant effect on Gross Domestic Product (GDP). The study also revealed that Agricultural Exports, Non-Agricultural Exports, Gross Domestic Fixed Capital Formation and Consumer Prices Index are long-run determinants of economic growth in Namibia. Lasisi, Jubril and Olayinka (2017) examined the effect of business development on economic recession in Nigeria. A survey research was used to gather data from CEO of different sectors of the Nigerian economy. Based on the data collected, the result indicated that business development is affected by economic recession in Nigeria. The paper offered useful policy recommendations which included the need for government and appropriate agencies to put in place policies such as enabling environment that will lead to the growth and development of business process and strategy.

Shido-Ikwu (2017) examined and analyzed the main reasons for the recent recession in Nigeria. The research paper gave a theoretical exposition of how government policies can potentially curb the recession and enhance better economic well-being of the Nigerian populace. The findings of the study indicated that the main causes of the emergence of economic recession in Nigeria can be grouped under three main factors; Legacy factors, Policy factors and Political/Security factors. The paper recommended among others, effective government intervention through an effective synchronization between measures of fiscal and monetary policy in the direction of increasing liquidity in the economy, decreasing interest rates, increasing investment and employment, increasing the income of economic entities and finally in the direction of increasing aggregate demand as an exit from the phase of recession. Gibba and Molnar (2015) examined the causal relationship between The Gambia’s Exports and Economic Growth (GDP) using the Error Correction Model (ECM) for the time series data period 1980-2010; Econometric models were estimated to test for time series properties, unit root (ADF) and co-integration (Johasen’s procedure). A short-run and long-run relationship was established between GDP and Exports using and Error Correction Model (ECM). The empirical result revealed that R-Squared is found to be 63.49%. This statistically implied that The Gambia’s economic growth was explained by its total exports at a rate of 63.49%, this also showed that total export growth is a good determinant of economic growth. The main conclusion that was drawn from the ECM is the negative relationship between GDP and exports from 2003-2010. The reasons for this negative relationship were domestic and international, social and economic changes, which included the fiscal deficit trend. Thus, it is a signal that more efforts are needed for the revitalization of the export industry policy target.

Mishra (2011) reinvestigated the dynamics of the relationship between exports and economic growth for India over the period 1970-2009. He applied the popular time series econometric techniques of co-integration and vector error correction estimation; the study provided evidence of stationary of time series variables, existence of long-run equilibrium relation between them, and finally the rejection of export-led growth hypothesis for India by the Granger causality test based on vector error correction model estimation. Nwoba, Nwonu and Agbaeze (2017) examined the impact of fallen oil prices on the Nigerian economy. Simple regression analysis, Pearson product movement correlation and Chi-square were the methods used to analyze the secondary data in order to determine the relationship between oil price (dependent variable) and economic growth indicators such as foreign exchange earnings, aggregate expenditure, budget servicing and public sector employment rate (dependent variables). The study found that fallen oil prices have a significant effect on the Nigerian economy and has impacted negatively on it. The study, among others, recommended that diversification of the Nigerian economy is most imperative given the recent economic recession in the country. Hidalgo and Maene (2017), in their research work on “The Nature of Spain’s International Cultural Tourism Throughout the Economic Crisis (2008-2016): A Macroeconomic Analysis of Tourist Arrivals and Spending” limited their study to researching those indicators that shaped the international character of Spain’s cultural tourism sector and subsequently determining how this sector performed from a macroeconomic perspective. The descriptive analysis of official cultural and tourism statistical data, and the synthetic representation of the result in various tables and graphs indicated that cultural tourism, at least in terms of international tourist arrivals had indeed remained stable thoughout the crisis, even though it has not grown significantly ever since. Hanasov (2017) analyzed whether there are any symptoms of Dutch disease in Azerbaijani economy during 2001-2007 by employing testable hypothesis while he carefully checked alternative explanations of observed consequences. The study concluded that there has not been absolute de-industrialization but observed relative de-industrialization in the non-oil tradeable sector and substantial expansion in the non-tradeable sector. Government expenditures created the spending effect which turned out to be more significant than the resource movement effect with evidence of rapid increase in average wage and high price in the non-tradeable sector and therefore an appreciation of the real exchange rate. Twumasi-Ankra and Wiah (2016) explored the causal influence of export earnings of cocoa towards economic growth (GDP). The augmented Dickey-Fuller (ADF) and the Phillips-Perron (PP) unit root tests indicated that the two series are integrated of order 1, 1(1). The results of the trace and the Maxi-Eigen Value Integration test based on Johansen’s procedure indicate the co-existence of a co-integration between export earnings and GDP of Ghana. Thus, the two variables of the study have a long-run equilibrium relationship. The sector error correction model of order two, VECM (2), was considered as the best model after evaluating other competing models. It was observed that, in the long-run, previous year’s export earnings of cocoa is positively related to economic growth. In the short-run the previous GDP had positive effect on the current GDP, and higher export earnings of cocoa have positive effect on GDP. Feedback causality was observed between economic growth and export earnings of cocoa, which suggested a bi-directional causality from export earnings to economic growth GDP.

Siddique (2015) in his research on “The Impact of External Debt on Economic Growth; Empirical Debt from Highly Indebted Poor Countries” analyzed the extent to which the external debt burden impacted on a country’s gross domestic product (GDP) using data from HIPC over the period 1970-2007. The findings of the empirical analysis suggested that, in both the short-run and long-run, a reduction in debt stock would have significantly increased the growth performance of the indebted nations. Shameek and Shahana (2011) overviewed “India’s Export Performance; Trend and Drivers”. They analyzed the performance of India’s export and the various economic factors which have contributed to its growth. Since manufactured exports comprised a significant share of India’s aggregate (Merchandise) exports, the paper also provided an over-view of the export performance of three important commodities namely; gems and jewelry, cotton and electronic goods and concluded with key policy changes which could have a bearing on the current trends seen in these sectors. Akpokodge (2000) explored the association between export earnings fluctuations and capital formation in Nigeria. He discovered that export earnings fluctuations adversely impinge on investment in the short-run within the period under study, his result was derived by using a reduced form equation built around the flexible accelerator model and adopting a co-integration technique. The research work by Swiston (2008) on the USA used a VAR containing two lags to construct a model with variables such as nominal interest rate, yield on investment grade corporate bonds with remaining maturity of 5-10 years to capture long-term interest rate, real GDP, oil prices, equity, returns and real effective exchange rates made positive contributions in that direction. He posited that credit availability proxied by survey results on lending standards is an important driver of the business cycle, accounting for over 20% of the typical contribution of financial factors to growth. A net tightening in lending standards of 20% basis points reduced economic activity by 0.75% after one year and 1.25% after two years. Noko (2016) examined the impact of export earnings fluctuation on economic growth of Nigeria within the sample period of 1981-2016. The multiple regression analysis using Vector Auto-Regression model (VAR) to estimate the relationship was employed in this research work. The unit root test revealed that none of the variables examined was stationary at level, but at first difference, all the variables became stationary given the 5% level of significance. The Johanson co-integration test revealed that there was absence of long-run relationship among the variables examined. The research further revealed from the R-squared value that 99% of the fluctuations in economic growth of Nigeria was influenced by the changes in her export earnings. The LM serial correlation test revealed the absence of serial correlation presenting the model as a good one that policy makers can rely on its findings to make sound policies. The research concluded that there was a sustainable relationship between exports earnings fluctuation and economic growth in Nigeria as was revealed by the F-test which was very significant. The researcher therefore recommended among others that, government of Nigeria should revamp both local industries and agriculture through subsidies, concessions, uninterrupted power supply, technical assistance, improving security of lives and properties and the creation of enabling business operating environment.

The available literature reviewed above showed how various components of export earnings affected Gross Domestic Product in a number of countries using various complex techniques of analysis. However, none of these studies analyzed the effect of total Export earnings on the Gross Domestic Product of Nigeria in a recessionary period using simple regression analysis and descriptive statistics as tools of analysis. This gap will be filled by this research work.

**CHAPTER THREE**

**EXPORT EARNINGS, GROSS DOMESTIC PRODUCT AND RECESSION IN NIGERIA**

**3.1 OVERVIEW OF EXPORTS EARNINGS’ CONTRIBUTION TO THE GROSS DOMESTIC PRODUCT OF NIGERIA**

As an open economy, international trade has always been important to the Nigerian economy. During most of her existence, trade has been an engine of growth in her economy. From a situation where growth was propelled by an agricultural export boom, Nigeria in the mid-70s moved to a situation where growth was driven by oil exports. Unfortunately, in spite of SAP, the well publicized attempts to diversify the economy have not been successful. Nigeria, like many other developing countries in Africa started as a purely agrarian economy. Her major agricultural produce include beans, cassava, cocoa beans, ground nuts, palm oil, rice, rubber, timber, yams amongst others. These products accounted for over 50% of Gross Domestic Product and were the main source of export earnings and public revenue, with cocoa being the leading export earner seconded by rubber. Agricultural exports (including manufactured food and agricultural produce) decreased quantitatively after 1970, this can be attributed to low world price of primary products. The government of Nigeria in 1979 banned the importation and exportation of many foods (Encyclopedia of Nation, 2007). Again, following the discovery of oil and the buoyant oil revenue in the 1970s relegated other real sectors to the background; this was as a result of crude oil constituting about 90% of total export earnings, however, in 1980 the world oil market collapsed. The collapse resulted to a drought in oil export earning and budgetary receipts without a proportionate slowdown in fiscal and external deficit. In a bid to finance domestic and external deficits, government resorted to heavy borrowing from the banking system, international and financial institutions and depleting the external reserve. The subsequent decline in foreign exchange earnings also triggered an economic crisis (Motor and Ike 2006). It was in response to these immense problems that the Structural Adjustment Program (SAP) was introduced in the late 1980s. This was aimed at liberalizing and diversifying the economy. It was designed to pay more attention to export especially in the agricultural sector, which witnessed the worst neglect. The adoption of SAP was followed by the formulation of several export promotion strategies and policies especially on manufacturing export, which included various incentives on export, Research and Development, privatization of state-owned enterprises and a host of others. From the late 1970s till 2016, export earnings contributed over 80% annually to the GDP of Nigeria.

**3.1.1 Structure of Foreign Trade in Nigeria**

Given that imports are normally adjusted to exports, the emphasis here was to analyze the structure of exports since 1960. In 1960, agricultural exports accounted for 70.8% of total exports while petroleum accounted for only 2.6%. Exports of other commodities like tin and processed goods accounted for 26.6% of total exports. By 1970, agricultural exports only accounted for 33% of total exports while petroleum started to establish dominance by exceeding 58% of total exports. By the time the oil boom began in earnest, in 1974, petroleum exports accounted for approximately 93% of the total exports. The relative shares of agricultural exports in total exports had shrunk to 5.4% while other products accounted for the remaining 1.9%. With the exception of 1978 when the relative share of petroleum in total exports amounted to 89.1%, petroleum’s share in exports has consistently exceeded 90%. Indeed since 1990, the relative share of petroleum has exceeded 96%. Agriculture’s contribution has fluctuated between 0.5% and 2.3% while the share of other products has fluctuated between 0.5% and 1.7%. Thus, petroleum exportation has totally dominated the economy and indeed government finances since the mid-1970s.Some of the aims of the Structural Adjustment Programs adopted in 1986 were diversification of the structure of exports, diversification of the structure of production, reduction in the overdependence on imports and reduction of the overdependence on the exports of petroleum. Unfortunately, there has been no significant progress made in the achievement of these objectives. The economy is still overdependent on oil exports with the degree of openness of the economy.

**3.1.2 Involvement of the Federal Government of Nigeria in Foreign Trade (Post SAP)**

Various efforts have been made by the Federal Government of Nigeria to diversify her export and revenue base after the failure of the Structural Adjustment Program to fulfill its purpose. In a circular issued by the Central Bank of Nigeria in April 2017, the Federal Government approved the reduction of documentation requirements and the timeline for import and export trade transaction in Nigeria. With this reform, the government hopes to stimulate an enabling environment for embarking on business in the country, and hopefully improve upon the country’s ranking on the World Bank’s Ease of Doing Business Index Some of the changes approved by the Federal Government include the following:

1. **The Reduction of Export Documentation:** Export documentation have been reduced from ten to seven making the following required documentation:
   1. Bill of lading
   2. Certificate of Origin
   3. Commercial invoice
   4. Single goods declaration
   5. Nigeria exports proceed (NXP)
   6. Clean certificate of inspection
   7. Packing list
2. **Revision of Timeline for Processing Form (NXP):** The timeline for processing the Nigerian exports proceeds (Form NXP) by authorized dealers was modified to a maximum of 48 hours from the receipt of the application.

**3.1.3 The Role of Federal Ministry of Finance and the Ministry of Industry, Trade and Investment**

The Federal Ministry of Finance, amongst several functions, is in control of the administration of fiscal incentives in accordance with the provisions of extant statutes and International Agreements or Protocols. One of these incentives include the exemption of export products from the payment of value added tax. The Ministry also publishes exports guidelines for non-oil exports which are revised from time to time. The Nigerian government through the Ministry of Industry, Trade and Investment, seeks to ensure the diversification of the resource base of the economy by promoting trade and investment with special emphasis on export of non-oil and gas products that will lead to wealth and employment creation, reduction in the rate of poverty and also ensure enhanced service delivery in a manner that will stimulate the growth of the domestic economy for self reliance, whilst making it more export-oriented and integrated into the global market. With the drop in crude oil prices, it has become pertinent for the economy of the nation which was solely dependent on oil exports to be fully diversified to include non-oil exports and the government has renewed its commitment in ensuring this strategy is achievable.

**3.1.4 The Role of the Central Bank of Nigeria**

As the official banker of Nigeria, the Central Bank of Nigeria (CBN) is responsible for the overall control and administration of the monetary and fiscal policies of the Federal Government. The bank provides economic and financial services to the government and ensures that the country is on a sound financial footing. CBN, through its Trade and Exchange Department has the following functions:

1. To articulate trade and exchange rate policies; while working hand in hand with other arms of the government.
2. To oversee non-oil export statistics accrued from shipments and proceeds that have been repatriated into the accounts of the exporters, which are maintained with the commercial banks.
3. To ensure the liberalization of proceeds of export trade transactions thereby allowing the exporter unfettered access to the funds.
4. To provide advice to commercial banks and the government and other financial institutions on export policies as required.
5. To regulate the inflow and outflow of the foreign exchange earnings from export by processing foreign exchange applications and allocating foreign exchange to applicants.

**3.1.5 The Role of the Nigerian Export-Import Bank (NEXIM)**

The Nigerian Export-Import Bank (NEXIM) which is the Nigerian Export Credit Agency (ECA) was established in 1991 with a share capital of N50,000,000,000.00 (fifty billion naira) held equally by the Federal Ministry of Finance and the Central Bank of Nigeria. The ECA, under the auspices of NEXIM has the following functions:

1. To provide export credit guarantees and export credit insurance facilities to applicants.
2. To provide credit in local currency to exporters to support exports.
3. To establish and manage funds connected with exports.
4. To maintain a foreign exchange revolving fund for lending to exporters who need to import foreign inputs to facilitate export production.
5. To provide domestic credit insurance where such a facility is likely to assist exports.
6. To maintain trade information system in support of export business in Nigeria.

In addition, the Bank also provides short and medium term loans to Nigerian exporters as well as short-term guarantees for loans granted by Nigerian Commercial Banks to exporters as well as credit insurance against political and commercial risks in the event of non-payment by foreign buyers. Some of these loans are available in the form of export credit facilities which are as follows:

1. **Foreign Input Facility:** This provides manufacturers of export products foreign currency loans to import capital equipment, packaging and raw materials to produce finished products for export.
2. **Stock Facility:** This facility is available to assist manufacturing exporters to have adequate working capital to stock local raw materials that are mainly seasonal in nature, and achieve optimum levels of production all year round.
3. **Export Credit Guarantee Facility:** NEXIM's export credit guarantee facility is designed to protect Nigerian Banks against the risks of non-payment for loans or advances granted to exporters to meet short-term export contracts.
4. **Export Stimulation Facility:** NEXIM is the managing agent for the CBN Export Stimulation Facility.
5. **Direct Lending Facility:** This facility is available to assist manufacturing exporters to have adequate working capital to stock local raw materials that are mainly seasonal in nature, and achieve optimum levels of production all year round.

**3.1.6 Challenges of Export Earnings in Nigeria**

1. **Primary Exporting:** Nigeria in its initial stage of development exports mostly primary products and thus cannot fetch good prices for them in the foreign market. In the absence of the diversification of her exports, Nigeria has failed to raise her exports earnings.
2. **Unfavourable Terms of Trade:** Another problem of trade faced by Nigeria is that terms of trade are always going against her. In the absence of proper infrastructure and the quality enhancement initiative, the terms of trade in Nigeria gradually worsened and ultimately went against the interest of the country in general.
3. **Mounting Developmental and Maintenance Imports:** Nigeria is facing the problem of mounting growth of its developmental imports, which include various types of machinery and equipment for the development of various types of industries as well as a huge growth of maintenance imports for collecting intermediate goods and raw materials required for these. Such mounting volume of imports have been creating a serious problem towards round management of international trade.
4. **Higher Import Intensity:** Another peculiar problem faced by Nigeria is the higher import intensity in the industries’ development resulting from import intensive industrialization processes followed in Nigeria for meeting the requirement of elitist consumptions (viz, colour TVs, VCR, Refrigerator, Motorcycle, cars etc). Such increasing trends towards elitist consumption have been resulting to huge burden of burgeoning imports in Nigeria, causing serious balance of payment crisis.
5. **Balance of Payment Crisis (BOP):** Nigeria is facing the problem of burgeoning imports and sluggish growth in her exports resulting in growing deficit of her balance of payment position. This deficit has gone to such an extent at a particular point in time that ultimately, it led to a serious crisis in her international trade.
6. **Depleting Foreign Reserves and Imports Cover:** Nigeria sometimes faces the problem of depleting foreign exchange reserves as a result of the growing volume of imports and continuous balance of payment crisis. Such depleting foreign exchange reserve results in shorter import cover for the country.
7. **Steep Depreciation:** Steep depreciation of the domestic currency with dollar and other currencies in respect of Nigeria has been resulting in a considerable increase in the value of its imports which ultimately leads to huge deficit in its balance of trade.
8. **International Liquidity Problems:** Accordingly, Nigeria is experiencing chronic deficiency of capital and technology resulting to heavy dependence on the developed countries for her scarce resources. Nigeria requires resources so as to cover her short-term balance of payments and also for meeting long-term capital requirements for economic growth. Over the years, it has been observed that Nigeria has been facing some serious problems relating to her foreign trade. She is making serious efforts to settle these problems either by bilateral or multi-lateral means.

**3.2 AN OVERVIEW OF ECONOMIC RECESSION IN NIGERIA.**

Since the advent of economic recession in Nigeria, the economy has been unstable with negative economic indicators. Due to the overdependence on oil by the Nigerian government, poor economic planning and inadequate concrete implementation of policies, the Nigerian economy has been in crisis since the 1980s and has continued to witness several economic challenges. During periods of 1960s-70s, the economy experienced positive GDP growth rate of 16.3% which increased to 22.8% (NBS, 2012) and this was as a result of the revenue gotten from agricultural proceeds which was the economy’s source of revenue before the discovery of oil and also the oil booms of the 1970s. However, the economy plunged into recession in 1980s with a negative GDP and this was due to the collapse of oil prices in 1982 which had a negative impact on various macroeconomic variables. As at December 2016, inflation rate was at 18.63% being the highest in 11 years, foreign reserves at N24.5bn being the lowest in 11 years, low foreign exchange rate and unemployment skyrocketing to 58% (NBS 2016). The economic recession has had negative effects on consumption, investment, government spending and net export activity (Fapohunda, 2012). These reflect underlying drivers such as gross domestic product (GDP), employment levels and skills, household savings rate, inflation rates, corporate investment decisions, interest rates, demographics and government policies which lead to a state of general economic downturn. There has been decrease in sales of goods and services due to decreased finance available to individuals and families, increase in unemployment due to decrease in sales of goods and services by business owners and companies, high inflation rate due to scarcity of foreign exchange, weak naira and high interest rates, and budget deficit in government spending as a result of shortfalls in government revenues (Ibenegbu, 2016). The government may decide on borrowing to cover for the fall in revenues, and this will increase the debt burden of the federal and state governments. There is also an increase in crime rate because of bad living conditions which leads to increase in robberies, kidnapping and other financial crimes.

**3.2.1 Causes of Economic Recession in Nigeria**

1. **The Fall in the Global Crude Oil Prices:** Nigeria being a mono-product dependent economy is easily susceptible to fluctuations in the global economy. Thus, the benchmark oil price for 2016 budgetary allocation was changed to reflect the current realities. This later translated into a restrictive budgetary allocation as well as contractual monetary and fiscal policies (Farayibi, 2016). Especially, most State Governments in the country could not pay their workers’ salaries because of the dwindling budgetary allocation from the Federal Government. Still on the issue of the sharp decline in world oil prices which has held as a bonanza to millions of motorists in the United States of America is now tending to undermine the much fragile economy of several African counties who largely depend on oil for their sustained growth; of which Nigeria is not left behind. Others include Egypt, Algeria, and Libya. Thus, volatility of oil prices means volatility of the economies that largely depend on oil.
2. **Subsidy Removal:** Concurrently is the issue of the subsidy removal which also contributed to its toll. Though intended to remove the cabals and liberalize the petroleum sector, its ripple effects on the economy was very severe. Because everything in Nigeria revolves around oil, when the pump price increased, it caused a serious inflationary pressure. Interestingly, the NNPC as at 2016 is said that the N149 pump price was no longer feasible. So there is an impending likelihood of another increase in the pump price. This increase in the price of petrol resulted in a proportionate increase in the general price level of goods and services; and finally recession.
3. **The Introduction of the Treasury Single Account (TSA):** The TSA that was supposedly meant to block loopholes in the economy and minimize corruption mopped up liquidity in circulation, stifled credit creation and economic activities in the country. This had a negative effect on the economy.
4. **Delay in Signing the 2016 Appropriation Bill into Law**. This delay stifled economic activities because the zero-based budget approach apparently adopted rendered most Ministries, Departments and Agencies of Government (MDAs) partially inactive as there were no capital votes for project implementation. The delay also generated other attendant problems such as budget padding which hindered its full implementation.
5. **The Exchange Rate Policy of Central Bank of Nigeria (CBN).** This replaced the fixed exchange rate with a floating one and escalated the foreign exchange rate. For instance, Dollar sold at different prices at the inter-bank rate and the parallel market. This translated into high commodity prices since the Nigerian economy is import dependent and had a boomerang effect on living standards as the Nigerian masses had to contend with stagflation. Government reneged on most of the promises made to the people during the electioneering campaign. The way government responds to the plight of the people matters. For instance, the Minister of Finance only said the obvious about the economic recession and no message of hope or deliberate action plans that the government was taking to reverse the situation. No wonder the people seem to doubt the ability of the present cabinet. (Farayibi, 2016)
6. **Civil Unrest:** These are natural disasters like political, ethnic and religious crises, flood and fire outbreaks and diseases which are destructive to both human and land endowment that consequently led to the reduction in national output. This civil unrest and natural disasters are hazards which have led to shortages of food, water, shelter, education among others. the most disturbing security threats in the country in recent years include the activities of Boko-Haram, Niger-Delta Militants, Herdsmen-Farmers clashes which have seriously hampered production and caused decline in growth rate.

**3.2.2 Impact of Economic Recession on the Nigerian Economy**

The impacts of this recession, in a study by Oyesiku (2009), indicate that economic recession does not just occur, certain factors trigger recession which include; inflation, loss of consumer confidence, excess supply over demand, excess demand over supply, and global economic crisis. The resent economic recession had severe negative and also some positive impacts on aggregate economic activities in Nigeria. It causes extreme poverty and suffering of the masses, children’s right to Quality Education, affordable inclusive Healthcare are lacking, there is adverse demand and supply shocks. It has contractionary effects on aggregate demand and supply resulting to volatile shocks in economic activities. There is scarcity of foreign exchange, little money, reduced income, decreased finances available to households and businesses. There is also weak purchasing power, reduced consumer spending and decrease in sales of goods and services. The purchase of goods and services by individuals, households and firms has drastically reduced as a result of the economic recession. Business activities are now at the low ebb, there are job losses and increase in unemployment rate. The reduced employment is due to decreased sales of goods and services by Business Owners, Companies, Street Vendors, Farmers, Shop Owners, Retailers and Wholesalers. The aggregate spending power has sharply declined. Following the loss of jobs is the loss of income; the cost of living has gone astronomically too high for the core poor and the middle class. There is sharp decline in savings and investment; decline in the stock market activities, as some investors have pulled out their funds from the stock market due to high risks and uncertainties. There is also increase in the crime rates as life gets harder for a greater number of the population (the poor), living conditions are getting worse, street hawking, kidnapping, child trafficking, fraudulent schemes and other financial crimes. The aggregate poverty incidence continues to increase. There is budget deficit in government spending. The National and State budgets are experiencing spending difficulties due to shortfalls in Government revenues. On borrowing, the Government are borrowing as an option to cover for the fall in revenue. This has geometrically increased the debt burden of the Federal and State Government. There is high rate of inflation attributable to the hike in pump price of petroleum, low domestic production capacity, dependence on Imports, a weak Naira, scarcity of Foreign exchange and high cost of doing business in Nigeria, high interest rates, poor Electricity supply, lack of portable Water, high cost of Transportation and poor state of aggregate Infrastructure. Statistical overview of growth rate in major sectors of the Nigerian economy showed that they were either slow or negative sectoral growth rates. All the macroeconomic fundamentals (variables) such as Exports, Balance of Payment, Inflation, Unemployment, and Exchange Rate were not moving in the favourable direction. Nigeria is still a generator-driven, monoculture economy with epileptic Power supply. There is joblessness growth as well as major social indices are negative. The basic needs of life have eluded almost 85 percent of Nigerians. Human capital indicators or social indices are fast declining, worse still, as oil revenue continues falling. The economy is deteriorating in human development indices, the quality of Education and Healthcare has collapsed, with abject Poverty, acute Hunger and Starvation prevailing amongst the poorest Poor.

In a research by Eneji, Umejiaku and Mailafia (2017); the positive impact of the economic recession was that it gave an edge to small scale businesses such as small scale Cropping, Gardening, Fishery and Animal Farms. Low cost Transportation Business such as the Keke-Napep and commercial Taxi were making it as it had become too expensive (in fact a luxury) to move about with a car given the hike in fuel price and the level of illiquidity. Average people preferred to park their cars, except where very necessary, and patronized cheaper means of Transportation. It had become more economical to use Keke-Napep. Sales of food items and operating a low cost Canteen, low cost Health care were business opportunities favoured by the economic recession. There were also individual, household and business austerity measures. Economic agents involved in a lifestyle that lead to wastage of money are making changes. For instance, unnecessary and irrelevant Travels, avoidable Shopping and flamboyant Entertainment and food wastages are minimized. The Rich are also complaining. These made the average Nigerian’s lifestyle economical and sustainable too.

**CHAPTER FOUR**

**METHODOLOGY**

**4.1 RESEARCH DESIGN**

The research design adopted for this work was the experimental research design. The reason is that the research combines the theoretical consideration with experimental observation. The main aim of this study is to analyze the effect of Total Export Earnings on Gross Domestic Product of Nigeria in a recessionary period.

**4.2 TYPES AND SOURCES OF DATA**

Secondary data obtained from the Central Bank of Nigeria (CBN) and National Bureau of Statistics were used for this research work.

**4.3 MODEL SPECIFICATION**

The behaviour of Total Export Earnings and GDP of Nigeria is of paramount importance to this study; so the emphasis lies on the effect of Total Export Earnings on Gross Domestic Product of Nigeria in a recessionary period. Hence;

Y = 0 + 1X1 + Ui - - - - - - (1)

Where

Ŷ = Real Gross Domestic Product (RGDP)

X1 = Autonomous contribution to GDP (intercept)

1 = Co-efficient of Total export earnings

X1 = Total export earnings

Ui = Error term

When estimated, equation (1) becomes

Ŷ = 0 + 1X1

Where,

Ŷ = Estimated Real Gross Domestic Product

0 = Estimated Autonomous contribution to Real Gross Domestic Product

1 = Estimated Co-efficient of Total Export Earnings

X1 = Total Export Earnings

**The A priori Expectation of the Model:**

Our a priori expectation is that Export Earnings has a direct positive effect on Gross Domestic Product (GDP). This means that, increase in Total Export Earnings will increase Gross Domestic Product (GDP) of Nigeria and vice versa.

**4.4 TECHNIQUE OF ANALYSIS**

Annualized and quarterly time series data respectively with the aid of quantitative and descriptive statistical tools and tests were employed in this research work to examine the effect of Total Export Earnings on Gross Domestic Product of Nigeria in a recessionary period.

**4.4.1 Ordinary Least Squares Procedure of Analysis**

This Ordinary Least Square (OLS) procedure of analysis is used to estimate the model with the aid of computer statistical application (Eview 7). This method is preferred to others because it is the best, linear, unbiased, estimator, minimum variance, zero mean value of random terms etc (Koutsoyiannis, 2003) and also because it is simple to formulate and offers both computational and mathematical convenience.

**4.4.2 Standard Error Test**

This estimate enables the degree of confidence and validity of the parameter estimate to be determined. The test helps to determine whether estimate 0 and 1 are statistically different from zero

Given the hypothesis

H0: 0 = 1 = 0 (the estimates are statistically not significant)

H1: 0 1 0 (the estimates are statistically significant)

The decision role at 5% level of significance is presented thus;

1. If S(0) > (0) then H0 will be accepted and it will be concluded that the estimates are statistically insignificant
2. If S(1) < (1) then H0 will be rejected and it will be concluded that the estimates are statistically significant

**4.4.3 Co-efficient of Multiple Determinant (R2)**

This shows the percentage of total variation in the dependent variable (RGDP) explained by the regression line, i.e. by changes in the independent variable (total exports). In other words, it is the test of goodness of fit of regression line obtained from the Ordinary Least Square Method.

**4.4.4 t-test**

The t-test indicates whether the degree of variation in the dependent variable (RGDP) is associated with the regression on the independent variable (X1). The test will be done independently. We use the statistics to test the hypothesis by comparing the calculated value of t for each parameter with the degree of freedom N-K where N is the number of observations and K is the number of variables.

**Decision rule for t-test;**

If tcal > ttab, reject H0 and conclude that the parameter is statistically significant.

If tcal < ttab, accept H0 and conclude that the parameter is statistically insignificant.

**t-test for Autonomous Component (0)**

The hypothesis is stated as;

H0 : 0 = 0

H1 : 0 0

**Test for Co-efficient of Total Export Earnings (1)**

The hypothesis is stated as;

H0 : 1 = 0 (Total Export Earnings has no significant effect on Gross Domestic Product).

H1 : 1 0 (Total Export Earnings has significant effect on Gross Domestic Product)

**4.4.5 f-test**

This is the test of the overall significance of the regression model. It determines whether the independent variable (Total Export Earnings) has a significant effect on the dependent variable (Real Gross Domestic Product).

The hypothesis is stated as follows;

H0 : 0 = 1 = 0 (the overall model is statistically insignificant)

H1 : 0 1 0 (the overall model is statistically significant)

**Decision Rule**

If f-calculated > f0.05, H0 will be rejected and it will be concluded that the overall regression model is statistically significant. Otherwise, H0 will be accepted and it will be concluded that the regression model is statistically insignificant.

**4.4.6 Durbin-Watson Test for Autocorrelation (d\*)**

One of the assumptions of the Ordinary Least Squares (OLS) estimate is that, successive values of the error term are independent in occurrence. The implication is that the covariance of U is equal to zero. The Durbin-Watson test is used to test for the presence of autocorrelation. The hypothesis is stated thus;

H0: There is no autocorrelation in the successive error term (U)

H1: There is autocorrelation in the successive error term (U)

**Decision Rule**

If 0<d<2, it is assumed that there is a positive autocorrelation and hence reject H0.

If 2<d\*<4, it is assumed that there is a positive autocorrelation and hence reject H0.

If d\* = 2, then H0 will be accepted that there is no autocorrelation.

**4.4.7 Descriptive Statistics**

Bar-graphs will be used to analyze the quarterly data on Real Gross Domestic Product and Total Export Earnings of Nigeria in a recessionary period.

**CHAPTER FIVE**

**DATA PRESENTATION AND ANALYSIS**

**5.1 DATA PRESENTATION**

**Table 1: Showing Real Gross Domestic Product and Value of Total Export of Nigeria “1987-2016”**

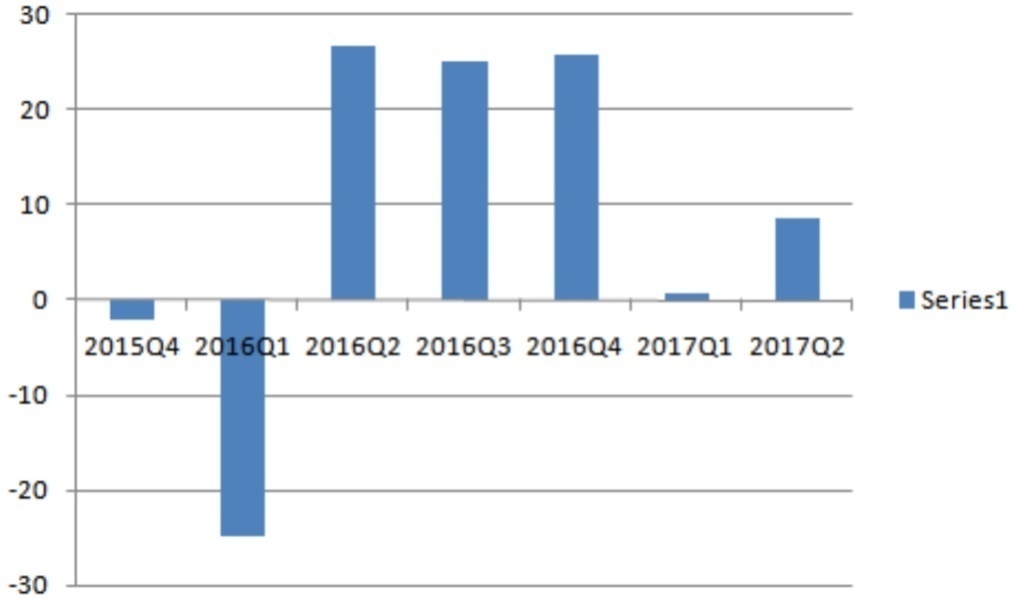
|  |  |  |
| --- | --- | --- |
| **YEAR** | **RGDP**  **(B’N)** | **TOTAL EXPORTS**  **(B’N)** |
| 1987 | 15,263.93 | 30.4 |
| 1988 | 16,215.37 | 31.2 |
| 1989 | 17,294.68 | 58.0 |
| 1990 | 19,305.63 | 109.9 |
| 1991 | 19,199.06 | 121.5 |
| 1992 | 19,620.19 | 205.6 |
| 1993 | 19,927.99 | 218.8 |
| 1994 | 19,979.12 | 206.1 |
| 1995 | 20,353.20 | 950.7 |
| 1996 | 21,177.92 | 1,309.5 |
| 1997 | 21,789.10 | 1,241.7 |
| 1998 | 22,332.87 | 751.9 |
| 1999 | 22,449.41 | 1,189.0 |
| 2000 | 23,688.28 | 1,945.7 |
| 2001 | 25,267.54 | 1,868.0 |
| 2002 | 28,957.71 | 1,744.2 |
| 2003 | 31,709.45 | 3,087.9 |
| 2004 | 35,020.55 | 4,602.8 |
| 2005 | 37,474.95 | 7,246.5 |
| 2006 | 39,995.50 | 7,324.7 |
| 2007 | 42,922.41 | 8,309.8 |
| 2008 | 46,012.52 | 10,387.7 |
| 2009 | 49,856.10 | 8,606.3 |
| 2010 | 54,612.26 | 12,011.5 |
| 2011 | 57,511.04 | 15,236.7 |
| 2012 | 59,929.89 | 15,139.3 |
| 2013 | 63,218.72 | 15,262.0 |
| 2014 | 67,152.79 | 12,960.5 |
| 2015 | 69,023.93 | 8,845.2 |
| 2016 | 67,931.24 | 8,835.6 |

***Source: CBN Statistics Database - Central Bank of Nigeria and National Bureau of Statistics, 2016.***

**Table 2: Real Gross Domestic Product and Total Export Earnings of Nigeria in a Recessionary Period “2015Q4-2017Q2”**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Year** | **Quarter** | **RGDP (B’N)** | **RGDP rate (%)** | **Total Export earnings** | **Total Export earnings rate (%)** |
| 2015 | 4 | 18,553.75 | 2.11 | 2,013.76 | -2.18 |
| 2016 | 1 | 15,943.71 | -0.67 | 1,513.76 | -24.83 |
|  | 2 | 16,218.54 | -1.49 | 1,919.23 | 26.79 |
|  | 3 | 17,555.44 | -2.34 | 2,401.66 | 25.14 |
|  | 4 | 18,213.54 | -1.73 | 3,020.96 | 25.79 |
| *2017* | 1 | 15,797.97 | -0.91 | 3,040.21 | 0.64 |
|  | 2 | 16,307.73 | 0.72 | 3,299.83 | 8.54 |

***Source: Central Bank of Nigeria Quarterly Statistical Bulletin 2017 (Q2)***

******

**Figure 2: Bar-graph Showing Total Export Earnings Rate of Nigeria in a Recessionary Period.**

**Source: Author’s Computation using data from Table 2 above.**

**Trend of Change in Real GDP of Nigeria in a Recessionary Period**

**Figure 3: Bar-graph Showing Real Gross Domestic Product Rate of Nigeria in a Recessionary Period.**

**Source: Author’s Computation Using Data from Table 2 above.**

**5.2 DATA ANALYSIS AND INTERPRETATION OF RESULT**

**5.2.1 Ordinary Least Square Result and Model Estimation**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Dependent Variable: RGDP  Independent Variable: Total Export Earnings | | |  |  |
| Method: Least Squares | | |  |  |
| Date: 04/13/18 Time: 23:49 | | |  |  |
| Sample: 1987 2016 | | |  |  |
| Included Observations: 30 | | |  |  |
| HAC Standard Errors & Covariance (Bartlett Kernel, Newey-West Fixed | | | | |
| bandwidth = 4.0000) | | |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
| Variable | Co-efficient | Std. Error | t-Statistic | Prob. |
|  |  |  |  |  |
|  |  |  |  |  |
| C | 19421.24 | 1029.101 | 18.87205 | 0.0000 |
| TE | 3.153765 | 0.327387 | 9.633140 | 0.0000 |
|  |  |  |  |  |
|  |  |  |  |  |
| R-squared | 0.863885 | Mean dependent var | | 35173.11 |
| Adjusted R-squared | 0.859024 | S.D. dependent var | | 18031.83 |
| S.E. of regression | 6770.380 | Akaike info criterion | | 20.54284 |
| Sum squared resid | 1.28E+09 | Schwarz criterion | | 20.63626 |
| Log likelihood | -306.1426 | Hannan-Quinn criter. | | 20.57273 |
| F-statistic | 177.7083 | Durbin-Watson stat | | 0.494364 |
| Prob(F-statistic) | 0.000000 |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |

**Source:** **Authors Computation Using E-views 7**

The estimates can thus be presented in a regression form as follows:

RGDP = 19421.240 + 3.154 X1

S.E.E. (1029.101) (0.327)

t\* [18.872] [9.633]

R2 0.864

AR2 0.859

F 177.71

DW 0.494

From the regression result above, the estimated model is GDP = 19421.240 + 3.154X1. The positive sign in this model indicates that Total Exports Earnings has a positive effect on the GDPof Nigeria. This implies that when Total Export Earnings increase by 3.154, Real Gross Domestic Product value will increases by 1%. Autonomous components influence GDP by 19421.240 indicating that other factors contribute to GDP positively aside total export earnings

* + 1. **Standard Error Test Results and Interpretation**

**i). Parameter 0*(co-efficient of autonomous component):***

(0) = 1029.101

(0) = = 9710.62

Since (0) < (0) = 1029.101 < 9710.62, reject the H0 and accept the H1 which implies that parameter O (co-efficient of autonomous component) is statistically significant at 5% level of significance.

**ii). Parameter 1(co-efficient of Total Export Earnings):**

(1) = 0.327

(1) = = 1.577

Since (1) < (1) = 0.327< 1.577, reject the H0 and accept H1 which implies that parameter 1 (co-efficient of Total Export Earnings) is statistically significant.

* + 1. **Student t-Test Result and Interpretation**

**Degree of Freedom** = (n-k) = (30-2) = 28

Testing at 5% level of significance. Two-tailed test.

Where:

n= Number of the Observations

k= Number of the Parameters

ttab = t0.025 = 2.048

Below are the student t-test results for each of the parameters.

1. **For parameter O(co-efficient of autonomous component):**

t\* = 18.872, ttab = 2.048

Sincet\* > ttab, reject HO and accept H1 which implies that the parameter o (autonomous component) is statistically significant at 5% level of significance.

1. **For parameter 1(co-efficient of Total Export Earnings):**

t\* = 9.633, ttab = 2.048

Sincet\* > ttab, reject HO and accept H1 which implies that that the parameter 1 (co-efficient of Total Export Earnings) is statistically significant at 5% level of significance.

**5.2.4 F-Distribution Test Result and Interpretation**

**Degree of Freedom** = (n-k)/(k-1) = (30-2)/(2-1) = 28/1, v1=1 , v2=28,

Testing at 5% level of significance for a one-tailed test.

Where:

n= Number of the Observations

k= Number of the Parameters

Ftab = F0.05 = 4.20

Since F\* (177.71) > F-tab (4.20), reject HO and accept H1 which implies that the overall simple regression model is statistically significant at 5% level of significance.

**5.2.5 Durbin-Watson Test Result and Interpretation**

D\* = 0.494, since 0<D\*<2, reject H0 and accept H1 which implies that there exist the presence of positive autocorrelation in the successive error term of the regression model**.**

* + 1. **Co-efficient of Multiple Determination (R2) Result and Interpretation**

From the regression analysis of the model above, the value 0.864 implies that 86.4% variation in GDP is due to the variation in Total Export Earnings and the remaining 13.6% of the variation is due to the disturbance error term *µ* implying that the regression line obtained form the result using OLS method has a good fit.

**5.2.7 Descriptive Statistical Analysis**

From the bar-graphs in figures 2 and 3 above, as Total Export Earnings fluctuated between -2.18%, -24.83%, 26.79%, 25.14%, 25.79%, 0.64% and 8.54% from the fourth quarter of 2015 to the second quarter of 2017, Real Gross Domestic Product decreased from 2.11% to -6.7% between the fourth quarter of 2015 and first quarter of 2016 which indicated that economic recession had set in. The Real Gross Domestic Product rate remained negative for five consecutive quarters (First quarter of 2016 to first quarter of 2017) reading minus -0.67%, -1.49%, -2.34%, -1.73% and -0.91% respectively majorly due to the fall in the price of crude oil in the international market, political instability in Nigeria as at then and the quest to diversify the Nigeria economy via the Agricultural sector. Nevertheless, by the end of the second quarter of 2017, the Real Gross Domestic Product increased from -0.91% to 0.72%. This was because Total Export Earnings increased from 0.64% to 8.54% which was majorly triggered by the increase in the price of crude oil in the international market and progress in efforts of the Central Bank of Nigeria to stabilize the foreign exchange rate. This positive increase in the Real Gross Domestic Product led the Central Bank of Nigeria to declare that the Nigerian economy was statistically out of economic recession. However, the graphs in the figures above also showed that there exists a positive, direct and non-proportional relationship between Total Export Earnings and Real Gross Domestic Product of Nigeria in a recessionary period and also that Total Export Earnings had a significant effect on Real Gross Domestic Product of Nigeria in the same period, hence conforming to a priori expectation and achieving the main objective of this research.

**5.3 DISCUSSION OF FINDINGS**

The OLS result of this research work (RGDP = 19421.240 + 3.154X1) showed that the autonomous part of the model (19421.240) related positively with Real Gross Domestic Product. This implied that even though the Total Export Earnings is zero, the Real Gross Domestic Product would not be retrogressive i.e. all things being equal, if Total Export Earnings is zero, other sources of revenue will contribute 19421.240 to Real Gross Domestic Product. Practically in the Nigeria economy, the autonomous component of this model represents other sources of revenue that contributed to Her Real Gross Domestic Product during the recession such as taxes, fees, fines, loans, royalties etc which are not Total Export Earnings. The co-efficient of the independent variable (3.154) part of the model showed that Total Export Earnings had a direct, positive and non-proportional relationship with the Real Gross Domestic Product of Nigeria i.e. *ceteris paribus*, if Total Export Earnings increased by 3.154, Real Gross Domestic Product would be increased by 1% and vice versa. This relationship was experienced in the Nigerian economy during the recession when the value of Total Export Earnings decreased in 2016; it led to a non-proportionate decrease in the Real Gross Domestic Product and also in 2017 when Total Export Earnings increased, it led to a non-proportionate increase in Real Gross Domestic Product. The quarterly descriptive analysis done in section 5.2.6 further proved this right. This finding is in line with the a priori expectation. The t-statistic values for the co-efficient for both parameters (autonomous component and Total Export Earnings) were statistically significant at 5% level of significance and also the f-statistic value (177.71) was significant at 5% level of significance which implied that the overall model is suitable for this research.

The co-efficient of multiple determination value (0.864) showed that 86.4% of the variation in the Real Gross Domestic Product was due to the variation in Total Export Earnings in a Recessionary Period. It also indicated that the regression line of the model has a good fit. This clearly showed the situation obtainable in the Nigerian economy that since the 1970s till date, variation in total export earnings has contributed to over 80% of the variation in Real Gross Domestic Product of the country. The Durbin-Watson value (0.494) indicated that there exists a positive autocorrelation in the successive error term of the model which implied that the result obtained was not suitable for further analysis and forecasting. However, due to this problem, the OLS model was set in the HAC standard errors & covariance ( Bartlett Kernel, Newey-West Standard fixed bandwidth = 4.0000) mode. This was used to correct the presence of autocorrelation in the residual because it is suitable for large samples. Hence, this has made the result obtained to be reliable and suitable for forecasting and further analysis, the descriptive statistical analysis using the quarterly time series data on Real Gross Domestic Product and Total Export Earnings of Nigeria showed that Total Export Earnings has a Significant Effect on the Real Gross Domestic Product of Nigeria in a Recessionary Period.

**CHAPTER SIX**

**SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS**

**6.1 SUMMARY OF FINDINGS**

The findings of this research are summarized as follows:

1. Total Export Earnings had a direct, positive and non-proportionate relationship with the Real Gross Domestic Product of Nigeria in a recessionary period after using both annual and quarterly time series data for the analysis.
2. Total Export Earnings had a significant effect on the Real Gross Domestic Product of Nigeria in a recessionary period.
3. There exists a cost and effect relationship between Total Export Earnings and Real Gross Domestic Product in a recessionary period.

**6.2 CONCLUSION**

In this research work, the Effect of Total Export Earnings on the Real Gross Domestic Product (proxied by Real Gross Domestic Product) of Nigeria from 1987 to 2017 was empirically verified and discussed. The aim of this study was to ascertain the effect of Total Export Earnings on the Gross Domestic Product. Generally, it was observed that Total Export Earnings had a direct, positive and non-proportionate relationship with the Gross Domestic Product of Nigeria in a recessionary period. Consequently, based on the results obtained and interpreted in chapter five, the null hypothesis (H0) is rejected and the alternate hypothesis (H1) is accepted. Hence, the research logically concluded that Total Export Earnings had significant effects on the Gross Domestic Product of Nigeria in a recessionary period.

**6.3 RECOMMENDATIONS**

Based on the findings of this research, the following recommendations were made:

1. **Stabilization of Power Supply in Nigeria**: Government in conjunction with the private sector should make deliberate and conscious efforts to stabilize power supply in the country because the multiplier effect of achieving this has the ability to resolve over 70% of the challenges faced in every sector of the Nigeria economy. This will reduce production and operational costs, awaken the innovative abilities of existing and potential Entrepreneurs, induce investors to invest, resurrect dead factories, industries and refineries in the country, aid in adequate research and development, encourage competition among business men and women hence leading to reduction in unemployment rate and the production of quality goods and services of international standards. Stabilization of power supply in Nigeria is one of the “Big Push” measures (initial investment) the country needs in order to become one of the Export Hubs in the world and also diversify Her economy.
2. **Enhancing the Manufacturing Sector**: Manufacturing has the highest multiplier effects of all the sectors in an economy. Since it is the major source of productivity gains and foreign direct investment as well as a major investment inducer, a job creator and a major employer of labour; there is the need to revitalize and re-engineer the sector for sustainable economic growth and development. The sector provides value addition to primary products that increases their value in the international market.
3. **Diversification of Nigeria’s Economy**: There are other major sectors in the economy aside oil and gas and if given attention will provide room for inclusive growth in the Nigeria economy. Agriculture, Tourism, Sports and Entertainment sectors, are great potentials for diversification in Nigeria if attention is given adequately
4. **Enhancing the Security Network in the Country:** The Government and the private sectors should work together in tackling the various insecurity issues that have affected the economy negatively over the years. Each unit should play its part judiciously because it is only in an atmosphere of peace that social and economic activities will thrive.
5. **Review of Budgetary Allocation to Education and Health:** Government should increase the allocations to these two sectors, especially capital expenditure for increased productivity and greater impact on economic growth. The benchmark set by international organisations should be adhered to in the Budgeting process.
6. **Subsidy on Health and Education Services:** Government should subsidize citizens’ access to basic Health and Education facilities in the country. An unhealthy and uneducated human capital base is deterrent to productivity and economic growth.
7. **Increase Investment in Research and Development of Science and Technology:** Government and private sector should continue to make deliberate effort in adopting new methods of enhancing the level of productivity in the economy through adequate investment in research and development of science and technology in the country via ICT, Solar energy, Bio-physics, Mining, Automobiles and Medicine.
8. **Formulation and Implementation of a ‘‘ONE NIGERIA” Policy:** Government in collaboration with the private sector should make deliberate effort to formulate and implement a policy that puts the national interest of the country first at every given instance which suits the prevailing condition and available resources in Nigeria just like the Chinese “ONE CHINA” policy did and made China what it is today.

**6.4 LIMITATIONS OF THE STUDY**

The following limitations were encountered in the course of this research work;

1. Unstable power supply.
2. Financial constraint.
3. Restricted access to some very sensitive information.

However, with commitment to the objectives of the study the researcher was able to overcome these limitations and the validity of the work remained unaffected.

**6.5 SUGGESTIONS FOR FURTHER STUDY**

1. The effects of Power supply on industrial productivity in Nigeria.
2. The contribution of the Mining sector in the reduction of unemployment rate in Nigeria.
3. Import expenditures and its effect on the Gross Domestic Product of Nigeria in a recessionary period.

**6.6 CONTRIBUTIONS TO KNOWLEDGE**

1. This research work contributed to the body of knowledge by adding to the existing literature on economic Recession, Gross Domestic Product and Export Earnings in Nigeria.
2. It also contributed to the body of knowledge by adding to the existing literature on the use of both descriptive and quantitative statistical tools in analyzing the behaviour of economic variables during a business cycle contraction using both annual and quarterly time series data in Nigeria.

**REFERENCES**

Afolabi, K. (2011). Impact of Oil Export on Economic Growth in Nigeria, from 1970-2006. *American Social Science Journal,* 12 (3), 12-23.

Akpokodge, G. (2000). The Effect of Export Earnings Fluctuations on Capital Formation in Nigeria. *Africa Economic Research Consortium Paper,* 103.

Alimi, S. R., & Muse, B. O. (2013). Export-Led Growth or Growth-Driven Exports? Evidence from Nigeria. *British Journal of Economics, Management and Trade,* 3(2): 89-100.

Al-Yousif, K. (1999). The role of Exports in the Economic Growth of Malaysia: A Multivariate Analysis. *International Economic Journal* ,13: 67-75.

Anyaru, A. (2017). *The Development of Export Trade in Nigeria*. Retrieved from [www.munedaq.com](http://www.munedaq.com)

Bai, L. (2012). *Effects of Global Financial Crises on Chinese Exports*: A Gravity Model Study. Jonkoping International Business School, Jonkoping University.

Balassa, B. (1983). *“Exports, policy choices and economic growth developing countries after the 1973 oil shock*:.

Bbaale & Motenyo, M. (2011). Export Composition and Economic Growth in Sub-Saharan Africa: A Panel Analysis. Consilience: *The Journal of Sustainable Development*. 6(1):. 1-19 .

Bhatt, P. R. (2013). China’s Export and Foreign Direct Investment. *Journal of Applied Econometrics and International Development*,13(2).

Blinder, A. (2003). *Keynesian Economics*. Retrieved from http: //www.econlib.org/library/end Keynesian Economics.

Central Bank of Nigeria, (2012). Understanding Monetary Policy Series,14: *Economic Recession.*

Dernberg, T. F. (1960). *Macroeconomics*. McGraw-Hill Companies New York.

Encyclopedia of Nations (2007)

Eneji, M., Mailafiya, D. & Umejiako, R. (2017). Impact of economic recession in Macro Economic Stability and Sustainable Development in Nigeria. *Journal of Economics,* 2.

Ewetan, O., & Okodua, H. (2012). *Econometric Analysis of Exports and Economic Growth in Nigeria*. Department of Economics and Development Studies, Convenant University.

Fapuanda, T. M. (2012). The Global Economic Recession. *International Journal of Economics and Management Sciences.* 116, 07-12.

Farabiyi, O. (2016). *Perspectives on the Nigerian economic recession.* Retrieved from <http://www.researchgate.net/publication>.

Gani, C. I. (2011). Exports as the determinant of Nigeria’s economic growth. A multivariate Threshold Autogressive Approach. *Journal of Social and Management science*, 5(3): 23-40.

Gibba, A., & Molnar, J. (2015). *A Study on Exports as a Determinant of Economic Growth in the Gambia.* Doctoral School of Management and Business Administration, Szent Istran University, Godollo, Hungary.

Glies, J. A., & Wliliams, C. L. (2000). *Export-led Growth*: A Survey of the Empirical Literature and some Non-Casualty Results Part 2, Econometrics Working Paper.

Grossman, G. M., & Helpman, E. (1987). Product Development and International Trade. *Journal of Political Economy*, 97(6): 1065-1087.

Gujarati, D. N. (2004). *Basic Econometrics,* 4th Edition. New York, MacGraw-Hill.

Gujarati, D. N (1995). *Basic Econometrics*, New York: Mc-Hill.Inc.

Hansov, F. J. (2017). *Dutch Disease and the Azerbajan Economy.* Retrieved from <https://www.researchgate.net/publication/> 258431746.

Henriques, I. P., & Sardorsky, (1996). The determinants of an environmentally responsive firm: An empirical approach. *Journal of Environmental Economics and Management*. 30(3), 381-395.

Hidalgo, C., & Maene, O. (2017). *The Nature of Spain’s International Cultural Tourism throughout the Economic Crises (2008-2016):* A macroeconomic Analysis of Tourist Arrivals and Spending. Department of Tourism and Marketing, Madrid Open University (UDIMA), collado Villalba, Madrid 28400, Spain and Department of Global and Sociocultural Affairs Florida International University, Miami, FL 33199, USA.

<http://www.neximbank.com.ng>

International Monetary Fund Report (2016)

Jarra, S. T. (2013). Exports, Domestic Demand and Economic Growth in Ethiopia: Granger Casualty Analysis. *Journal of Economics and International Finance,*5(9),357-352.

Jhinghan, M. L. (2010). *Macroeconomic Theory*. Delhi Vrinda Publications (p) ltd.

Keynes, J. M. (1936). *The General Theory of Employment*, Interest and Memory. New York: Harcourt Brace.

Koutsoyiannis, A. (2003). *The Theory of Econometrics*. 3rd edition, London, Macmillian press ltd.

Kromtit, M. J., Kanadi, C., Ndangra, D. P., & Lado, S. (2017). Contributions of Non-oil Exports to Nigeria (1985-2015). *International Journal of Economics and Finance:*9(4).

Krugman, P. (1984), *“Import Protection as Export Promotion:* International Competition in the Presence of Oligopoly and Economics of Scale ”,in H. Kierzkowski (ed.), Monopolistic Competition and International Trade, Oxford, Oxford University Press.\

Lasisi, Jubril, O. S., & Olayinka, A. (2017). Business Development and Economic Recession in Nigeria. *The Business and Management* *Review,*8(4). Department of Business and Finance Crescent University Abeokuta, Nigeria.

Lee, C. H., & Huang, B. N. (2002). The Relationship between Exports and Economic Growth in *East Asian Countries:* A Multivariate Threshold Autoregressive Approach. *Journal of Economic Development,* 27*.*

Mankwin, G (2004). *Principles of Economics*, Thompson.

Milton, A. I., Chris, O.I. (2012). *Nigerian Economy, Structure, Growth and Development.*

Mishra, P. K. (2011). The Dynamics of Relationship between Exports and Economic Growth in India. *International Journal of Economics Science and Applied Research*, 4 (2):53-70.

Moses, C. E., & Michael, O. O. (2015). Effect of Oil and Agriculture on Economic Growth in Nigeria. *Journal of Global Economics, Management and Business Research* 3(2) 75-86.

Motor, D. G., Ike, V. T. (2006). *Policy Reforms and Manufactured Exports in Nigeria.*

National Bureau of Economic Research, (2008). *Definition of Recession.* Retrieved from [www.nber.com](http://www.nber.com)

National Bureau of Statistics (2012).

National Bureau of Statistics (2016).

National Bureau of Statistics, (2013). Statistical Bulletin.

Noko, J. E. *Impact of Export earnings on economic growth in Nigeria*. Retrieved from [www.eduinfo.com](http://www.eduinfo.com).

Nwoba, M. O. E., Nwonu, C. O., & Agbaeze, E. K. (2017). Impact of Fallen Oil Prices on the Nigerian Economy. *Journal of Poverty Investment and Development*, 33.

Olagbaju, J., & Falola, T. (1996). *Post Independence Economic changes and Development in West Africa*. In Ogunremi G.O.and Faluyi, E.K. (eds). An econimc History of West Africa since 1750. Ibadan: Rex Charles.

Olaleye, & Olasode, S. (2013). Export Diversification and Economic Growth in Nigeria: An Emperical Test of Relationship using a Granger Causality Test. *Journal of Emerging Trends in Economics and Management Sciences (JETEMS),* 5(1): State University, Ojo.

Oluchi, J. E. (2007). *The Impact of Export on Economic Growth in NIGERIA*. (1980-2005); A B.sc. Thesis Submitted to the Department of Economics, Ebonyi State University, (EBSU), Abakaliki.

Oyekusi, K. O. (2009). *“City Liveability: Implications and challenges*” proceedings of West Africa workshop on Planning for Liveable Human Settlements by NTP and CAP. 61-76

Ozughalu, U. M., & Ajayi, P. I. (2004). *Absolute Poverty and GLOBALIZATION:* A Correlation of Inequity and Inequality: In Globalization and Africa’s Economic Development, Selected Papers for the 2003 Annual Conference of the Nigerian Economic Society (NES).

Samuelson, A. P., Nordhaus, D. W. (2010). *Economics*. McGraw-Hill Education (UK) Ltd, 19th Edition.

Senait, G. (2014). *The Contribution of Export Earnings to Economic Growth of Ethiopia:* A Trend Analysis. M.A. Thesis in Rural Development, Institute of Agricultural Development Studies, St. Mary’s University, Addis Ababa, Ethiopia..

Shameek, M., & Shahan, M. (2011). *Overview of India’s Export Performance:* Trends and Drivers. Economics and Social Science, Indian Institute of Management Bangalore.

Shido-Ikwu, B. S. (2017). Economic Recession in Nigeria: A case for Government Intervention. *SSRG-International Journal of Economics,*4(6).

Siddique, A. (2015). *The Impact of External Debt on Economic Growth:* Emperical Evidence from Highly poor Countries. Business School. University of Western Australia.

Simasiku, C., & Sheefeni, P. S. J. (2017). Agricultural Exports and Economic Growth in Namibia. *European Journal of Basic and Applied Sciences*:4(1).

Sodersten, B., & Reed, G. (1994). *International Economics*, London: Macmillan

Sullivian, A., & Steven, S. (2003). *Economics: Principles in Action*. Upper Saddle River: Pearson Prentice Hall.

The Economist, (2014). *How Countries Calculate their GDP*. [www.economist.com](http://www.economist.com)

Twumasi-Ankra, S., & Wiah, E. N. (2016). Testing for Long-Run Relation Between Economics Growth and Export Earnings of Cocoa in Ghana Using Co-Integration Techniques. *Ghana Mining Journal*,89-95.

Ugwuegbe, S.U. and Uruakpa, P.C. (2013). The Impact of Export Trading on Economic Growth in Nigeria. *International Journal of Economics, Business Finance*,10, 567-578.

Verdoom, P. J. (1949). ‘*Fattori che Regolano lo Sviluppo della produttivita del lavoro*: L’ Industria, 1, 310.

World Bank (1996).

World Bank (2013). Development Report, Washington D.C, USA.

World Bank Doing Business Report. (2017). Retrieved from <http://www.doingbusiness.org>.

**APPENDIX I**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Dependent Variable: RGDP  Independent Variable: Total Export Earnings | | |  |  |
| Method: Least Squares | | |  |  |
| Date: 04/13/18 Time: 23:49 | | |  |  |
| Sample: 1987 2016 | | |  |  |
| Included observations: 30 | | |  |  |
| HAC standard errors & covariance (Bartlett Kernel, Newey-West fixed | | | | |
| bandwidth = 4.0000) | | |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
| Variable | Co-efficient | Std. Error | t-Statistic | Prob. |
|  |  |  |  |  |
|  |  |  |  |  |
| C | 19421.24 | 1029.101 | 18.87205 | 0.0000 |
| TE | 3.153765 | 0.327387 | 9.633140 | 0.0000 |
|  |  |  |  |  |
|  |  |  |  |  |
| R-squared | 0.863885 | Mean dependent var | | 35173.11 |
| Adjusted R-squared | 0.859024 | S.D. dependent var | | 18031.83 |
| S.E. of regression | 6770.380 | Akaike info criterion | | 20.54284 |
| Sum squared resid | 1.28E+09 | Schwarz criterion | | 20.63626 |
| Log likelihood | -306.1426 | Hannan-Quinn criter. | | 20.57273 |
| F-statistic | 177.7083 | Durbin-Watson stat | | 0.494364 |
| Prob(F-statistic) | 0.000000 |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |

**Source:** **Authors computation using E-views 7**

The estimates can thus be presented in a regression form as follows:

RGDP = 19421.240 + 3.154 X1

S.E.E. (1029.101) (0.327)

t\* [18.872] [9.633]

R2 0.864

AR2 0.859

F 177.71

DW 0.494