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NEED/IMPORTANCE OF THE STUDY

STATEMENT OF THE PROBLEM

OBJECTIVES

HYPOTHESIS (ES)

RESEARCH METHODOLOGY

RESULTS & DISCUSSION

FINDINGS

RECOMMENDATIONS/SUGGESTIONS

CONCLUSIONS

LIMITATIONS

SCOPE FOR FURTHER RESEARCH

REFERENCES

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ECONOMETRIC MODELING OF THE IMPACTS OF SHIPPING ON NIGERIAN ECONOMY

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ABSTRACT

The study is conducted to establish a quantitative relationship (model) between the impacts shipping on the economy of Nigeria and the Gross Domestic Product (GDP) using an econometric method and to test the significance of the impact. The econometric/analytical method of regression analysis was adopted to achieve the objective. Time series data of 10 years were collected on the past contributions of maritime transport to the national output (GDP) from the Central Bank of Nigeria annual statistical bulletin. Hypotheses were tested using t-test. The test showed the rejection of null hypothesis H_A and the acceptance of null hypothesis H_B to conclude that maritime transport has made significant impact on the Nigerian economy over the period covered by the study.

KEYWORDS
econometric, modeling, impacts, maritime transport, economy, Nigeria.

1.1 INTRODUCTION

The importance of transportation to the socio-economic development of any region cannot be over emphasized. Zubairu (2015), opined that "immobility perpetuates poverty" poverty in this sense has to do with individuals and nations, inability to trade services and goods following lack of or underdevelopment of means of transportation as facilitators of trade. Shipping plays a vital role in world trade and is the backbone of the world economy (Ndikom, 2008). Without ships and the transportation services they ships provide, the world would not be as prosperous as it is today following inactivity in global trade, and many countries would not be able to participate in global trade. Marine transportation is an integral, whose direction at each point in time determines the direction of other variables that form part of the global economy. The marine transportation systems include a network of specialized vessels, the seaports they visit, and transportation infrastructure from factories to terminals to distribution centers, to markets, and international and domestic freight forwarding centers and facilities (Ndikom, 2008, Albert, 2014). Shipping is a necessary complement to and nearest substitute goods for other modes of freight transportation, for many commodities and trade routes however, there is no direct substitute for waterborne commerce (Shipping). Folani (2000) posited that Shipping had played a formidable role in the growth of towns and cities as well as economic transformation of men since the beginning of civilization. According to Agim (2014), global trade of carriage of goods by sea provides tremendous earnings to participating nations/individuals. Ndikom (2008) supported by Badejo (2000) observed that a nation desirous to attract economic potentials, particularly a developing nation like Nigeria, must be fully prepared and determined to understand the global trend relating to shipping practices or operations and how these operations over the years has contributed to economic growth and development, so as to quantitatively plan for adequate future investment in the sub-sector that can yield the required contribution to the national output. Maritime shipping in this context therefore is the carriage of goods from one nation to another by sea routes and domestic (local) inland water and coastal transportation using the water mode of transportation and the commercial involvements therein. Nigeria being a maritime nation of is one of the One Hundred and Sixty Nine (169), and three (3) associate member countries of the International Maritime Organization (IMO) (Nnadi, 2015). With inland water ways of about ten thousand kilometers (10,000km) and extensive coast line of about eight hundred and fifty-two kilometers (852km) and territorial sea based on the United   Nations Convention on the law of the sea (UNCLOS, 1982), extending twelve nautical miles or twenty-two kilometers into the open seas, from the shorelines of the country, falling fully within the country's exclusive   economic zone (Nnadi, 2015; Nze, 2013).

UNCTAD (2014) reported that seaborne container traffic (container throughput) to Nigerian ports between 2011 to 2013 stood at two million, Seven hundred and twenty thousand ,four hundred and twenty two TEUS (2,720, 422 TEU'S), representing an average of nine hundred and nine thousand four hundred and seventy four TEU'S (909,474 TEU'S) per annum over the period.

In Nwokedi (2015), it was revealed that that the total value of export shipping (Export trade by sea) and imports (sea borne import trade) between the year 2006 to 2010 was fourty four trillion, four hundred and fifty billion, fourty one million naira (#44,450,041,000,000) and twenty two trillion, fourty five billion, four hundred and thirty million naira (22,045,430,000,000) respectively, while the cargo throughput of the Nigerian ports over the same period was 390,566,475 metric tons (NBS,2012), (NPA,2012).

Further reports from the Nigerian ports authority (NPA) revealed that between the period 2006 to 2011, a total of 27,125 ships transited to the ports of Nigeria while an average of 2,200 offshore service boats serviced the logistics needs of the oil and gas industry (coastal trade) between 2012 to 2013, (NPA, 2013), (NPA, 2014). Nwokedi et al (2015) observed that within the Nigeria coastal regions and internal waters, runs extensive oil pipeline networks of over 7000km extending to the shores and numerous oil exploration and exploitation platforms.

The above statistics represent the economic strengths of the Nigeria maritime sub-sector and points towards the potentials of the sub-sector to contribute meaningfully to the Gross Domestic Product and economic growth and development. Statistics from the Central Bank of Nigeria (2013) revealed the average contribution of maritime transport sub-sector (GDP $_{marine\ transport}$) to the Gross Domestic Product of the Nigeria economy from 2006 to 2010 was one billion, two hundred and three million seven hundred and sixty thousand naira (#1,203,760,000.00) per annum.

Shipping has played a great role in the industrialization of many continents, such as Europe, America etc. than any other mode of transport, for one thing, the slaves that worked on the plantation farms that formed the bedrock for industrial revolution were transported by sea, for another, economic revolution that necessitated the exploration of Africa for markets and raw materials were also facilitated by maritime shipping which carried above 80% of both human and cargo traffic generated in the course, to and from Africa.

The cheap and higher quality of raw materials sourced from the black continent of Africa was transported to Liverpool and other places by sea. Shipping is not restricted to any particular economic system be it Capitalist, Socialist, Communist or Mixed Economic systems, Traditional, Islamic Economic system or Islamic Socialism. In Nigeria the practice of shipping predates the European invasion and colonization era but the impact of this to national economic development and trade facilitation has been over looked over the years, thus, there no certainty to the understanding of the trend of impact of maritime shipping to the economy of Nigeria. Following this, investment in and resource allocation to the sub-sector has most times been approached without reference to accurate data on the level and potential of economic benefits from such investment over a given period of time. There is there need to quantitatively relate the economic contributions to maritime shipping to the Nigerian national output (GDP) and other variables of International trade to understand the trend of maritime shipping impact to economic development in Nigeria.

1.2 OBJECTIVES

The central objective of this study is to determine the contributions of shipping to the growth of Nigerian economy.

Other specific objectives include:

1. To ascertain the contributions of maritime shipping to the nation's Gross Domestic Product as a measure of its contributions to development in Nigeria from 2003 to 2012.
2. To ascertain the quantum of seaborne cargo of various kinds of export shipping into the Nigerian economy and their quantitative relationship with the Gross Domestic Product (GDP) .
3. To proffer recommendations of the basis of the research findings.

1.3 RESEARCH QUESTIONS

A. What is the quantitative relationship between Maritime Transport Gross Domestic Product and Nigeria Gross Domestic Product (GDP) over the period covered by the study? Does this relationship show remarkable impact of shipping on the economy?
B. What quantitative impact had export shipping on the Gross Domestic Product (GDP) of Nigeria and how significant is this impact over the period covered by the study?

1.4 HYPOTHESES

HYPOTHESIS H$_{OA}$: There is no significant impact of maritime shipping transport to the development of the Nigerian economy over the period covered by the study from 2003-2012.

HYPOTHESIS H$_{OB}$: "There is no significant impact of export shipping trade on the Nigeria Gross Domestic Product (GDP) over the period covered by the study from 2003 to 2012.

2.0 METHODOLOGY

The research obtained a time series data of 10 years from 2003 to 2012 on the Nigeria gross domestic Product (GDP), the contribution of maritime transport to the GDP, and the volume of shipping export trade facilitated through the ports over the period. The GDP (national output) is represented with Y as the dependent variable, maritime transport sub-sector GDP is represented as independent variable with X_m , while the volume of shipping export trade over period is represented with X_e as independent variable. The econometric tool of regression was used to analyze the data obtained.

3.0 DATA PRESENTATION

TABLE 3.1: SHOWING THE CONTRIBUTION OF MARITIME SHIPPING TO GROSS DOMESTIC PRODUCT IN NIGERIA FROM 2003-2012

S/No	Year	GDP Maritime transport X_m N000,000	Gross Domestic Product N000,000 Y
1	2003	842.40	9,913,518.19
2	2004	909.92	11,411, 066.91
3	2005	982.88	14,610, 881.45
4	2006	1,067.25	18,564,544.73
5	2007	1,170.70	20,657,317.67
6	2008	1184.75	24,296,329.29
7	2009	1,248.38	24,794,754.13
8	2010	1,353.72	33,984,754.13
9	2011	1,508.65	37,409,860.61
10	2012	1,736.27	40,544,099.94
Total			

Source: Central bank of Nigeria (CBN) Statistical bulletin, 2013.

TABLE 3.2: TABLE SHOWING THE VOLUME OF EXPORT SHIPPING TRADE IN METRIC TONS AND THE GROSS DOMESTIC PRODUCT IN NAIRA FROM 2003 -2012 IN NIGERIA

S/No	Year	Volume of Shipping Export X_e N000,000	Gross Domestic Product N000,000 Y
1	2003	79, 88	9,913,518.19
2	2004	607,759	11,411,066.91
3	2005	63,4148	14,610,881.45
4	2006	46,150,518	18,564,594.73
5	2007	57,473,350	20,657,317.67
6	2008	63,985,749	24,296,329.29
7	2009	65,775,727	24,794,238.66
8	2010	78,744,509	33,984,754.13
9	2011	83,281,634	37,409,860.61
10	2012	86603903	40,544,099.94

Source: Central bank of Nigeria (CBN) Statistical bulletin, 2013.

(ii) Nigeria ports Authority (NPA) 2013 statistical review

4.0 DATA ANALYSIS AND PRESENTATION OF RESULTS

4.1. PRESENTATION OF RESULTS ON ANALYSIS

TABLE 4.1 RESULTS ON ANALYSIS BY SIMPLE REGRESSION MODEL

SUMMARY OUTPUT
REGRESSION STATISTICS

Multiple R	0.65164289
P Square	0.424642886
Adjusted R	0.352723247
Standard E	112549304.9
Observation	10

ANOVA

	df	SS	MS	F	Significance F
Regression	1	7.47932E + 16	7.47932E + 16	5.9044079	0.041208753
Residual	8	1.01339E + 17	1.26673E + 16		
Total	9	1.76132E + 17			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	265548892	57501111.58	4.618152322	0.001714327	132951090.9	398146693.1	132951090.9	398146693.1
X-Variable	8.822720573	3.630900505	2.429898743	0.041208753	0.449848993	17.19559215	0.449848993	17.19559215

4.2. DATA ANALYSIS AND PRESENTATION OF RESULTS

TABLE 4.2.2: PRESENTATION OF RESULTS ON ANALYSIS OF TABLE 4.2 BY SIMPLE REGRESSION MODEL

SUMMARY OUTPUT
REGRESSION STATISTICS

Multiple R	0.473182737
P Square	0.223901903
Adjusted R	0.126889641
Standard E	130717093.5
Observation	10

ANOVA

	df	SS	MS	F	Significance F
Regression	1	3.9463E + 16	3.94363E÷16	2.307975	0.167196
Residual	8	1.36696E+17	1.7087E-i-16		
Total	9	1.76132E+17			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	310714651.4	59290862.17	5.240514981	0.000783	1.74E+08	447439624.8	1.74E+08	4.47E+08
X-Variable	22.52790421	14.82877291	1.59202185	0.167196	-11.66731	56.72311587	-11.66731	56.72312

5.0 DISCUSSION OF RESULT

From the analysis of table 4.1 using simple regression analysis, the quantitative relationship existing between maritime transport Gross Domestic Product (GDP Marine Transport) and the Gross Domestic Product of the Nigerian economy over the period 2003 to 2012 is explained by the equation;

$Y = 265548892 + 8.823X_m + e$.

The above equation represent the trend of contribution of shipping and maritime transport to the development of the Nigerian economy over the 10years period covered by the study and thus, can form the basis upon which future contribution of shipping to the Nigeria Gross Domestic Product (GDP) can be projected. The multiple R measuring the degree of association between the two variables is 0.652 while the coefficient of determination which indicates explanatory power of the model is 0.426. The R square value indicate that 43 percent of variation in the Nigeria Gross Domestic Product (GDP) is explained by the Gross Domestic Product (GDP) maritime transport/shipping, which is a measure of shipping impact and contribution to the development of the economy over the period covered by the study. The unexplained variable is 67 percent, and represents the contribution of various other sectors to the Nigerian Gross Domestic Product (GDP). The average coefficient of elasticity 'E' is 0.85 percent. This shows that a 1 percent change in Gross Domestic Product (GDP) maritime transport causes a change (increases or decrease), on the average of 0.85 percent in the Gross Domestic Product of Nigerian over the period covered by the study.

From the analysis of table 4.2, using simple regression model, the quantitative relationship between shipping export trade (X_E) and Gross Domestic Product (GDP) over the period covered by the study from 2003 to 2012 is given by:

$Y = 310714651.4 + 22.53X_e + e$.

The above equation shows the trend of contribution and impact of export shipping on the Nigerian economy measured by the Gross Domestic Product (GDP) over the 10years covered by the study. The equation forms the basis upon which future projections in export shipping and Gross Domestic Product (GDP) growth can be based. The multiple R measuring the degree of association between the two variables is 0.473 while the coefficient of determination which indicates the explanatory power of the model is 0.224. The R square result indicates that about 22 percent of variable in Gross Domestic Product (GDP) is explained by export shipping over the period covered by the study. The average coefficient of elasticity 'E' is 0.32 and indicates that a 1 percent change in export shipping over a period causes a 0.32 percent change in Gross Domestic Product (GDP) over the period covered by the study.

The answer to the questions and results of tests of null hypotheses H_{oA} and H_{oB} are provided as analyzed below.

ANSWER TO RESEARCH QUESTION

A.   What is the quantitative relationship between Maritime Transport Gross Domestic Product and Nigeria Gross Domestic Product (GDP) over the period covered by the study? Does this relationship show remarkable impact of shipping on the economy?

ANSWER: The relationship between the impact of shipping and maritime transport measured by Gross Domestic Product maritime transport and the Gross Domestic Product (GDP) of the Nigeria economy is given as

$Y = 265548892 + 8.823X_m$.

The result of analysis on table 4.3 showed that there exists a significant contribution of shipping to economic development.

B.   What quantitative impact had export shipping on the Gross Domestic Product (GDP) of Nigeria and how significant is this impact over the period covered by the study?

ANSWER: The quantitative impact of export shipping on the Gross Domestic Product (GDP) of Nigeria over the period of the study is represented by the trend equation:

$Y = 31071465.4 + 22.53X_e + e$.

The result of analysis however showed that the export shipping contribution is not significant.

TEST OF HYPOTHESES

HYPOTHESIS H$_{OA}$: There is no significant impact of shipping/maritime transport to the development of the Nigerian economy over the period covered by the study from 2003-012.

From the analysis on table 4.2.1,

T critical = 1.860

=stat = 2.429

Since t-stat (2.429)> t-critical (1.860), we reject null hypothesis H$_{OA}$ and accept the alternate.

Thus "There is a significant impact of shipping/maritime transport on economic development in Nigeria over the period covered by the study".

HYPOTHESIS H$_{OB}$: "There is no significant impact of export shipping on the Nigeria Gross Domestic Product (GDP) over the period covered by the study from 2003 to 2012.

From the t-test done on data of table 4.1.2,

T critical = 1.860

t sat = 1.519

Since t-stat (1.519) < t critical (1.860), we accept null hypothesis H$_{OB}$ that the impact of export shipping on the Gross Domestic Product (GDP) over the period covered by the study is not significant.

6.0 SUMMARY OF FINDINGS

The result of the analysis showed that maritime shipping has impacted positively to the development of the Nigeria economy. Shipping over the 10 years period covered by the study made contribution of Eleven billion, nine hundred and ninety nine million, five hundred and five thousand naira (N11, 999, 550,000) approximately to the Nigeria Gross Domestic Product (GDP) and economic development in Nigeria. The trend of this impact which hypothesis H$_{0A}$ has proved as significant to economic development is as per following:

$$Y = 265348892 + 8.8232Xm + e.$$

The volume of export shipping from the Nigeria economy over the period of 10 years covered by the study is approximately four hundred and eighty one billion, two hundred and eighty-five thousand metric tons of export shipment from 2003 to 2012.

The summary of the trend of shipping export trade from the economy over the period is represented by the equation:

$$Y = 31071465.4 + 22.53Xe + e$$

The analysis also helped to deduce answers to the research questions and test of the hypotheses, enabling the realization of the research objectives.

7.0 CONCLUSION

Having provided answers to the research question and tested the objectives for significance, the research observed that a financial contribution of N11, 999, 550,000 to the Gross Domestic Product (GDP) by shipping (maritime transport) and facilitation of export trade of approximately 481,265,285,000 metric tons in Nigeria over the period covered by the study is quite huge and significant. The research therefore conclude based on test of hypothesis H$_{0A}$ that there a significant contribution of shipping and maritime transport to the economic development of Nigeria over the period covered by the study.

8.0 RECOMMENDATIONS

Having assessed the contribution of shipping and maritime transport to the economic growth and development of Nigeria, going by the results obtained in the earlier chapters, there is no doubt saying that shipping has contributed hugely to the economic development of Nigeria.

It is however believed that the contributions would have out-weighted its present weight if greater concerted efforts were made by practitioners in the shipping industry to ensure that the industry perform functions effectively and in most efficient manner.

The following action plans are therefore recommended for checks and improvement to bring about increases and boom in the contributions of shipping to the development of the Nigeria economy.

A. The present cabotage policy being practiced in Nigeria offers opportunity for increment in shipping contribution to economic growth of Nigeria through indigenous participation and local content development, however, the present implementation strategy hinders the full participation of Nigeria ship-owners and crew, thus should be re-examined for better implementation strategy that will eliminate the tide of foreign domination.

B. The practice of compulsory requirement of evidence of membership of protection and indemnity club (P&T club) by most oil majors in Nigeria especially the NNPC, for indigenous shipping companies to participate in the million dollars oil lifting trade should be stopped. This if stopped using policy framework will limit the huge foreign exchange being paid to foreign carriers for oil lifting and encourage local purchase of maritime insurance policy in Nigeria, thereby increasing the contribution of shipping to economic development in Nigeria.

C. The Government and the Nigerian Maritime Administration and Safety Agency (NIMASA) should work seriously to check the very high level of maritime insecurity and accident culminating into crimes and damage and loss of marine investments particularly cargo, ship installations, port facilities and navigational facilities leading to enormous economic losses and financial liability. To this end, it is important to compel ships and seaports to adequately implement and comply with the provisions in the international Ship and Port Facility Security (ISPS) code and other safety regulations.

D. The shipping industry should embark an extensive educational and awareness campaign targeting both public regulatory agencies and private operators and shippers as a strategy for market rebranding and widening, and create new products to meet the needs of prospective and present policy holders.

All these and more could serve well to improve on the practice and contribution of maritime transport (shipping) to the development of the Nigerian economy.

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