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CONTENTS

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   REVIEW OF LITERATURE

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   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

   SCOPE FOR FURTHER RESEARCH

   ACKNOWLEDGMENTS

   REFERENCES

   APPENDIX/ANNEXURE

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- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

ANALYSIS OF FACTORS INFLUENCING EXPORT VOLUME: THE NIGERIAN EXPERIENCE

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ABSTRACT

The research work is on the Analysis of factors influencing Export volume in Nigerian Economy. The objectives of the study was to show the trend of export volume over the years; estimate the factors influencing export volume in Nigeria; determine the relationship between GDP and export volume and to offer suggestions and recommends on how export volume can enhance Nigeria economic growth and development. The study adopts descriptive statistics, regression analysis and correlation analysis on the macro economic variables (i.e export volume, gross domestic product, interest rate, exchange rate, import, openness and inflation rate). Secondary data from central bank of Nigeria (CBN) was mainly used for this study to test the relative significance of the variables.The result shows that all the variables (interest rate, inflation rate, total import, degree of openness and exchange rate) have negative relationship with the export volume except the GDP. The coefficient of determination (R^2) regression of GDP is 99.4%. R-square shows that about 99.4% total variations in GDP is explained by the explanatory variables (exchange rate, inflation rate, import, degree of openness and interest rate). Meanwhile, GDP and degree of openness are significant at 1% and import is significant at 5% level of probability respectively. The correlation analysis shows that inflation rate, interest rate and degree of openness have a negative relationship with export volume, while other variables have positive relationship with export volume. But degree of openness is significant at 1%. This implies that degree of openness is an important factor contributing to export volume in Nigeria. The study therefore concluded that GDP, degree of openness and import are important variables influencing the export volume that would invariably lead to economic growth and development of Nigerian economy.

KEYWORDS
Export Volume, Gross Domestic Product, Regression analysis, Degree of Openness.

1.0 INTRODUCTION

At independence, the Nigerian economy was essentially a primary product export, based on a two – pillar product, agricultural and mineral products. Between the period of 1960 and 1966, the major agricultural products contributed about 71.4% of total export value. However, the emergence of crude oil on the economic scene during the 70s, coupled with the two global oil price stocks 1973/74 and 1979 and the macro economic policy distortions resulting essentially from the introduced trade, exchange and interest rate controls. The price fixing institution and commodity boards brought down the shares of agricultural sector in total exports. Since then, the share of agricultural products in total exports value has continued to decline. It decline as far as 2.3 percent in 1984 and further to 2.2 percent in 1998 (Falokun 1996, Omole and Falokun 1999).

More so, the two global oil price stocks of 1973 / 1974 and 1979 virtually made the economy a mono – product exporter in which the contribution of oil sector to total export value increased by about 37.3 percent in 1989 from 57.6 percent in 1970 to 94.9 percent in 1989 (CBN, 1999) from 1989 to date, the average annual contribution of the oil sector to total export has been hovering around source of foreign exchange earnings to government contributing more than 90 percent annually.

Specifically, the macro economic policy distortions resulting essentially from the introduced trade, exchange and interest rate controls, the price fixing institution and commodity boards during the period between 1970 and 1985, turned the country into an import dependent economy. For instance, aggregate import of the country grew substantially during the period. It grew from N0.7 billion in 1970 over N562 billion in 1996 and further to N1, 266 billion in 2001. The structure of import during this period was inimical to rapid industrial take – off. For example, the aggregate grow in rate of import of raw materials and capital goods were greater than 70 percent during the period (CBN, 1994).

Nigeria has also achieved some appreciable economic growth in recent time. Non-oil exports performance has hereby, improved considerably during this period. Several factors appear to have contributed to this phenomenon including a rapid improvement in trade liberalization, concerted efforts to diversify the productive base of the economy, and a substantial increase in foreign direct investment (FDI) inflows into the country. Expectedly, the role of exports in economic performance of developing countries has become one of the more intensively studied topics in recent years. The major impetus for most studies on this relationship is the export-led growth (ELG) hypothesis which interestingly represents a dominant explanation in this context. The export-led growth (ELG) hypothesis states that the growth of exports has a favorable impact on economic growth. However, the empirical evidence on the causal relationship between exports and growth is mixed. In particular, available time series studies fail to provide uniform support for the export-led growth (ELG) hypothesis while most cross-sectional studies provide empirical evidence in support of the hypothesis. Thus, FDI has also become an important link in the export-growth relationship. Overall, empirical evidence in the last few decades indicates that FDI flows have been growing at a pace far exceeding the volume of international trade. Between 1975 and 1995, the aggregate stock of FDI rose from 4.5% to 9.7% of world GDP, with sales of foreign affiliates of multinational enterprises substantially exceeding the value of world exports (Barrell and Pain, 1997). The performance of the Nigerian non-oil export sector, as pointed out earlier, has however been relatively impressive in recent times. For example, the International Monetary Fund (IMF) 2008 is of the view that the robust non-oil sector growth in the 2007 fiscal year had offset the drag from a decline in oil production in the Niger Delta, thus boosting growth in the Nigerian economy. According to the Central Bank of Nigeria (CBN) 2007, aggregate output growth measured by the gross domestic product (GDP), was estimated at 6.05 per cent, compared with 5.73 per cent in the second quarter. The growth was driven by the non-oil sector which was estimated at 9.47 per cent. This growth was driven mainly by major agricultural activities such as yam, Irish and sweet potatoes, groundnuts and maize. It is noteworthy however, that despite the observed increasing inflows of FDI, there has not been any satisfactory attempt to assess its contribution to Nigeria's (non-oil) export performance- a major channel through which FDI affects economic growth.

However, before the euphoria of the oil boom in Nigeria, Agriculture was the main stay of the economy. The oil boom of the early 1970's brought about fundamental changes in the Nigeria economy. One of such fundamental changes was the heavy reliance on crude oil export, as the main sources of foreign exchange earnings. Consequently, it eroded the competitiveness of the other sectors of the economy. However, the oil glut of the 1980's resulted in the collapse of the world oil market and as a result, the Nigerian economy witnessed serious economic crisis. Thus, the inherent weakness of a mono –product economy manifested itself, since it was discovered that oil sector has few linkages with the rest of the economy.

This development has prompted different government over the last two decade to initiate various policy measures aimed at revamping the economy and diversification of the productive base of the economy in favors of Non – oil exports, some of such policy measures were the structural adjustments programmers, foreign direct investment, Export processing zones which contained various liberalization strategies, essentially for the development of the export sector.

It is noteworthy however, that despite the observed increasing inflows of FDI, there has not been any satisfactory attempt to assess its contribution to Nigeria's export performance. In view of the above facts, the research question now is; what has being the trend of export over the years? what are the factors influencing export volume in Nigeria? what is the relationship between export volume and GDP?

The broad objective is to examine the impact of export performance on Nigeria economy. Specifically, the study seeks to: show the trend of export volume over the years (1999-2008); estimate the factors influencing export volume in Nigeria; determine the relationship between export volume and GDP in Nigeria; offer suggestion and recommendations on how export volume can enhance Nigeria economic growth and development with a view to being one of the top 20 economies of the world.

The evaluation of the effectiveness and actual achievement of the export growth put in place by successive government to diversify the economy in favor of Non – oil export is worthy of assessment.

At present, crude oil export account for over 90% of total export earning. Bearing in mind, the continuous dominance of crude oil exports, a fresh dimension is needed to determine to what extent the manufactured export products determines the economic growth and development. Such an analysis would therefore make a useful contribution in future policy formation for the Non – oil export sector in Nigeria. More so, it would help fill some information Gap or bundle of literature on export theory model.

In other to achieve the research topic, the following hypotheses were tested;

i**.** That there is no significant relationship between Nigeria's Gross Domestic Product and export volume.

ii. That there is no significant relationship between macro-economic policy variables (inflation, exchange rate, interest rate, import values and the Export volume of Nigeria.

2.0 REVIEW OF LITERATURES

2.1 CONCEPT OF TRADE

Towon (1971) aptly put it "Trade is an important stimulator of economic growth" it enlarges a county's consumption capacity. Moreso, world output and provides access to scarce resources and world wide markets for products which poor country are unable to grow. Modern economists therefore distinguish between the two types of trade. Domestic and international trade. The domestic is trading within a country while international is trading outside the country.

David Ricardo (1982) attempt to answer question on, why do a country trade with other and why do countries specialized in the production of some goods. He was able to answer the question with the comparative advantage which he developed which was latter modified by J. Stewart Mill, Taussing and Asberier.

Ricardo's principle of comparative advantage is based on the following assumptions, that labour is the only productive factor and cost of product consist of only labour cost. Secondly, that all labour units are assumed to be homogenous. Thirdly, only two countries and two commodities are to be considered at any time. Fourthly, that international trade is free from all obstacles and barriers. Lastly, transportation changes are ignored. Samdharam (1981) enumerated the gains from international trade to includes, internal specialization. Secondly, increment in production and higher standard of living. Thirdly, it brings about equalization of prices between countries; fourthly, availability of scare materials. Lastly, international trade and the evolution of modem industrial society.

Shoham (1996) has generally defined export performance as the result of a firm's actions in export markets. Although, growing body of literature has addressed the issue but still there is no evenly accepted conceptual and operational framework (Cavusgil and Zou (1994); Shoham (1998)). Sousa (2004) has identified about 50 dimensions of export performance measure which are classified as subjective and objective measures of export performance. However, Leonidou et. al. (2002), have identified that export proportion of sales or export intensity, export sales growth, export profit level , export sales volume, export, market share , and export profit contribution are mostly used measures of export performance.

Aaby and Slater (1989) found systematic export planning very important in export operations. Zou and Stan (1998) found export planning is a reliable determinant of export performance.

According to Shamsuddoha and Ali (2006) it is ability of a firm to respond to marketing forces to achieve its objectives. Cavusgil and Zou (1994)) pointed out that the exporting firm's performance can be measured by its marketing strategies and her ability to apply them. Export marketing strategy is usually considered as result of firms characteristics (Aaby and Slater (1989); Cavusgil and Zou (1994)) but here we take strategic capability as an independent factor. Export marketing strategic capabilities include among others the capabilities to adapt marketing mix (e.g. Product, Price, Promotion and Placement) and marketing channel strategies such as channel type and channel relationship etc. Zou and Stan (1998).

2.2 WHY AND WHEN TO EXPORT

Aside from the obvious need to earn foreign exchange to service imports and other dominated by foreign currency, a country or company according to Ogwo. E. Ogwo should be getting into export business for a or all the following reasons: To spread the risk of business which would be that much higher were a company or a country to remain only in domestic, considering the present exchange rate that more profit will be generated aboard than here, boosting of citizens morals once they see that their country has gone international and has made a success of it, that product quality is bound to improve once shoddy domestic products are made to conform to the generally higher standards of international markets. Inspite of these advantages, some people who feel that Nigeria should not consider exporting until domestic demand has been satisfied. Nwakenma (1966) is of the view that with the following conditions are met, it will be unwise for Nigerian government and Nigerian Companies, particularly manufacturing sector to venture into the export trade. His preconditions include:

1. An ability to satisfy domestic demand for products to be exported
2. An assurance of the existence of comparative advantage
3. That a substantial amount of value added for the goods must be retained in Nigeria.
4. That an assurance must be got of existence of an efficient export infrastructure.

Onah (1984), while agreeing that export should not wait for a complete satisfaction of the home market before being stalled, however suggested the removal of the following obstacles; the inadequate government institutional machinery; the ill-defined role of the export sector in Nigeria economy; the inadequate trade promotion service (presumably in international markets).

2.3 Nigeria's Export of Selected Products (1998-2007)

Oil and natural gas are the most important export products for Nigerian trade. The country exports approximately 2.327 million barrels per day, according to the 2007 figures. In terms of total oil exports, Nigeria ranks 8th in the world. As of 2009, Nigeria has approximately 36.2 billion barrel oil reserves. Despite large scale liberalization efforts, this sector is under close check of the government agencies. Nigerian National Oil Corporation (NNOC) is the regulatory body for the oil and natural gas sector.

Prior to oil production, which surged after the 1970s, agricultural production was the largest export sector for Nigeria. After the country became a largely oil-intensive economy, the agriculture sector took a back seat. However, it still provides employment to almost 70% of the total working population.

However, Nigeria's total trade increased by 121.6% between 1998 and 1999, and by 74.9% between 1999 and 2000. It, however, dropped by 16.0% between 2000 and 2001. Fluctuations occurred from 2002 to 2007 by 11.4%, 56.2%, 33.4%, 25.1%, 24.7% and 5.1% in the six years respectively.

Total commodity exports rose significantly by 222.7% between 1998 and 1999, and by 82.9% between 1999 and 2000. They however, dropped by 29.6% in 2001, when compared to the previous year. 8%, 43.5%, 65.2%, 28.9% and 14.1% were recorded increases between 2002 and 2006, but there was another drop by 8.9% between 2006 and 2007.

The greater part of Nigeria's export trade went to America with the following percentage: 42.4%, 49.1%, 51.2%, 41.0%, 49.8%, 55.5%, 52.7%, 54.1% and 59.1%. It was followed by Europe with 29.2%, 20.9%, 23.8%, 24.1%, 24.6%, 22.3%, 17.4%, 17.5%, 21.2%, and 19.4%. Asia took third place with 8.5%, 26.4%, 20.0%, 18.3%, 23.5%, 19.3%, 19.1%, 21.9%, 14.8% and 12.6% respectively. Amongst the Asian countries, China, India and Japan are Nigeria's major partners.

In the ECOWAS Sub-Region, Nigeria's major trading partners are Ghana and Cote D'Ivoire for the period reviewed. The table below shows the selected product in Nigeria's export since 1998-2007.

2.4 THEORIES OF TRADE

International Trade Theory deals with the different models of international trade that have been developed to explain the diverse ideas of exchange of goods and services across the global boundaries. The theories of international trade have undergone a number of changes from time to time. The basic principle behind international trade is not very much different from that involved in the domestic trade. The primary objective of trade is to maximize the gains from trade for the parties engaged in the exchange of goods and services. Be it domestic or international trade, the underlying motivation remains the same. The cost involved and factors of production separate international trade from domestic trade.

International trade involves across border exchange and this increases the cost of trading. Factors like tariffs, restrictions, time costs and costs related with legal systems of the countries involved in trade make the international trade a costly affair; whereas the extent of restrictions and legal hassles are considerably low in case of domestic trade.

When it comes to the comparison between international trade and domestic trade, the factors of production assume a crucial role. There is no denying that mobility of factors of production is less across nations than within the domestic territory. The incidence of trade in factors of production like labor and capital is very common in case of domestic trade; while in case of international trade exchange of goods and services contributes the major share of the total revenue.

International trade theory has always been a preferred field of research amongst the traditional and contemporary economists. The international trade models attempt to analyze the pattern of international trade and suggest ways to maximize the gains from trade.

Among the different international trade theories, the Ricardian model, the Heckscher-Ohlin model and the Gravity model of trade are worth mentioning.

The Ricardian model of international trade is developed on the theory of comparative advantage. According to this model countries involved in trade, specialize in producing the products in which they have comparative advantage.

The Heckscher-Ohlin model put stress on endowments of factors of production as basis for international trade. As per this theory countries will specialize in and export those products, which make use of the domestically abundant factors of production more intensively than those factors, which are scarcely available in the home country.

The Gravity model of trade provides an empirical explanation of international trade. According to this model, the economic sizes and distance between nations are the primary factors that determine the pattern of international trade.

The international trade theories also deal with challenges before international trade, international trade laws, rules of international trade and many other related issues.

Focusing on large amount of trade among industrialized countries relative to the trade with less developed economies, Markusen (1986) stresses unequal elasticity of demands that result from non-homothetic preferences. If demand from differentiated products is superior to that for homogeneous products, then intra-industry trade should be larger the larger incomeis; and, if industrialized countries are net exporters of these differentiated products, then intra-industry trade among industrialized countries should increase relative to trade with less developed countries. Thus, as the world gets richer, trade among industrialized countries should expand faster than other trade. As Marusen et al. (1995) point out, it was to match the facts listed above that the theory had been formulated

Thus, non-homogeneous demand leads to a decrease in North-South trade and to an increase in (intra-industry trade) among Northern industrialized countries. These are precisely the facts there were to be explained.

The new trade theory has made a fundamental contribution in providing a tractable framework for analyzing the volume of intra-industry trade. Deardoff for example stresses that the growth of intra-industry trade is an empirical phenomenon not well explained by older traditional theories. It has been the trade of manufactured goods among OECD countries that account for most of the expansion of trade over the period 1961-1990. Over this same period, however, the production of manufactures in this country has declined sharply as a fraction of total production. A model that relies on the taste for variety approach developed by Spence (1976) and Dixit and Stiglitz (1977) links increases in trade to increases in production.

3.0 DATA AND METHODOLOGY

3.1 DESCRIPTION OF THE CASE STUDY

Nigeria, republic in western Africa also known as the federal republic of Nigeria, with a coast along the Atlantic ocean on the golf of guinea. Most of Nigeria consists of a low plateau cut by rivers, especially the Niger and its largest tributary, the Benue. The country takes its name from its chief river. Until 1991, the capital was the largest city, Lagos, on the southwestern coast; at that time, the city of Abuja, in the country's interior, became capital.

Nigeria has a federal form of government and it is divided into 36 states and a federal capital territory. The country's official name is the federal republic of Nigeria. Lagos, along the coast, is the largest city and the country economic and cultural centre, but Abuja, a city in the interior planned and built during the 1970s and 1980s, is the capital.

The government moved from Lagos to Abuja in 1991 in the hope of creating a national capital where none of the country's ethnic groups would be dominated.

Nigeria's three ethnic groups-the Hausa-Fulani, Yoruba and Igbo.

Nigeria long had an agricultural economy but now depends almost entirely on the production of petroleum, which lies in large reserves below the Niger Delta. While oil wealth has financed major investments in terms of per capita income. Oil revenues led the government to ignore agriculture, and Nigeria must now import from farm products to feed its people.

Nigeria covers an area of 923,768 sq km (356,669 sq mi). at its greatest expanse, it measures about 1,200 km (about 750 mi) from east to west and about 1,050 km (about 650 mi) from north to south. Nigeria is bounded by Cameroon to the east, Chad to the northeast, Niger to the north, Benin to the west, and the Golf of Guinea on the Atlantic Ocean to the south.

Population densities and agricultural development are generally lower in the Niger and Benue.

Nigeria has not held a census since 1991. In 2007, Nigeria's estimated population was 135,031,164, yielding an average density of 148persons per sq km (384 per sq mi). With a birth rate of 40.2 per 1,000 and a death rate of 16.7 per 1,000, Nigeria's population is growing at an average of 2 percent annually-a rapid pace and little changed from the 1970s. The average Nigerian woman gives birth 5 times in her lifetime, although among more educated women the rate is somewhat lower. Nearly half of Nigerians are younger than 15 years. By 2025 the population is projected to grow to 206 million.

3.2 METHOD OF DATA COLLECTION
The data for this study was collected mainly from secondary sources, particularly from Publication of Central banks of Nigeria (CBN) such as statistical bulleting, annual report and statement of account. The data requirements include Gross Domestic Product (GDP), volume of export, interest rate, exchange rate value and inflation. The estimation period covers 1999-2008.

3.3 METHOD OF DATA ANALYSIS
3.3.1 Descriptive statistics
This involved the use of charts to describe the trend of export volume over the years (1999-2008) to achieve objective one.

3.3.2 Ordinary Least Square (OLS)
This will be used to determine the factors influencing export performance in Nigeria.

3.3.3 Correlation Analysis
It is used to show the relationship between the volume of export volume and GDP, and impact of the explanatory variables (exchange rate, inflation, interest rate, import and degree of openness) on the gross domestic product of the country.

3.3.4 A priori expectation
A priori expectation is that the constant is expected to be positive (b0<0, b1>0, b2<0, b3>0, b4<0) because there are numbers of other factors that determines the GDP.

In macro economics, export is regarded as an injection in an economy, and so, it is expected to have a positive impact on the economy.

3.4 MODEL SPECIFICATION
This study adopts the multiple regression analysis to determine the impact of all the independent variable (interest rate, exchange rate, import, degree of openness, GDP and inflation) on all exportable products.

$Y = f(X_1, X_2, X_3, X_4, X_5, X_6)$..Implicit function (model I)

$Y = ß_0 + ß_1X_1 + ß_2X_2 + ß_3X_3 + ß_4X4 + ß_5X_5 + ß_6X_6 + U$...Explicit function

Where Y = Export volume (₦)

X_1= Interest rate (%)

X_2= Inflation rate (%)

X_3= Exchange rate (USD)

X_4= Import (₦)

X_5= GDP (₦)

X_6= Degree of openness

Log= Logarithm

U= Random error

3.4.1 Correlation Analysis
Correlation Analysis: This shows the relationship between export volume, GDP, degree of openness, import, inflation, interest rate and exchange rate. It is stated by the formula below:

$Y = f(X_1, X_2, X_3, X_4, X_5, X_6)$...Implicit function (model II)

Where Y = Export volume (₦)

X_1= Interest rate (%)

X_2= Inflation rate (%)

X_3= Exchange rate (USD)

X_4= Import (₦)

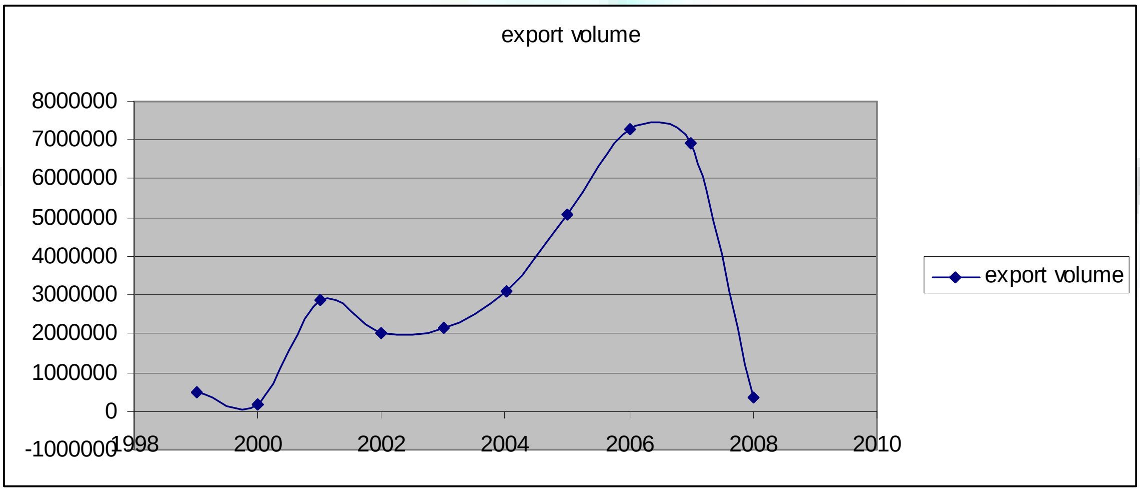
X_5= GDP (₦)

X_6= Degree of openness

3.4.2 Descriptive Statistics
This involves the use of graph to show the trend of all macro economic variables considered in this research over the years. It is used to achieve objective 1 (one) which is to describe the trend of macro economics variables with particular reference to the period under review (1999-2008).

4.0 RESULTS
4.1.1 EXPORT VOLUME (1999-2008)
Figure (1) below shows Nigerian export volume from 1999-2008. The horizontal axis shows the years and the vertical axis shows the amount of export. In 1999 exportation was very low, it was fluctuating till 2003 and later increased sharply in 2006—2007. It fell back in 2008 drastically.

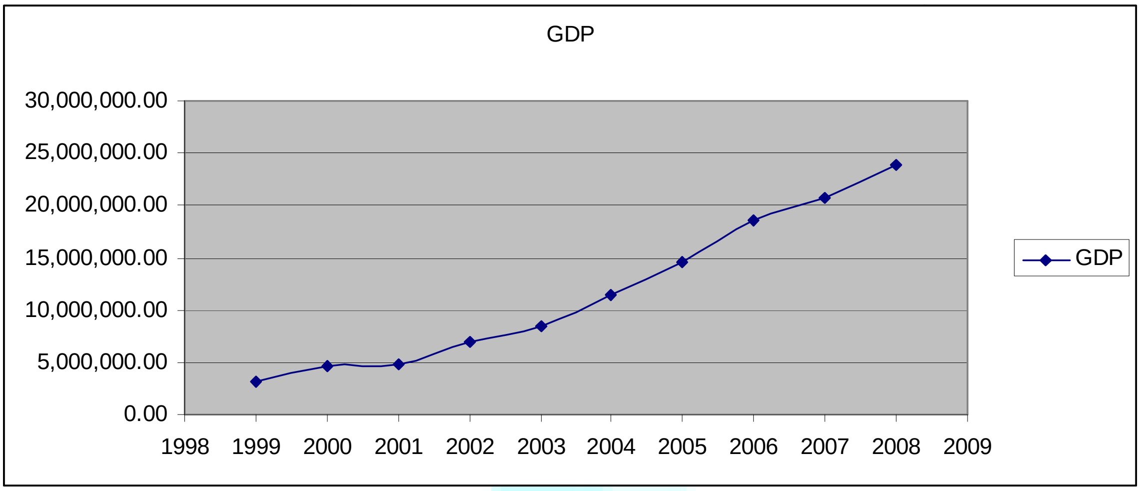
FIGURE 1: THE TREND OF EXPORT VOLUME BETWEEN 1999-2008



(Source: Data analysis, 2010)

4.1.2: Gross Domestic Product (1999-2008)
Figure (2) below shows that GDP has been increasing gradually from 1999 – 2008, with a sharp increase in the GDP in 2008. This simply means that the GDP trend has been increasing with reference to the period under review.

FIGURE 2: THE TREND OF GROSS DOMESTIC PRODUCT BETWEEN 1999-2008

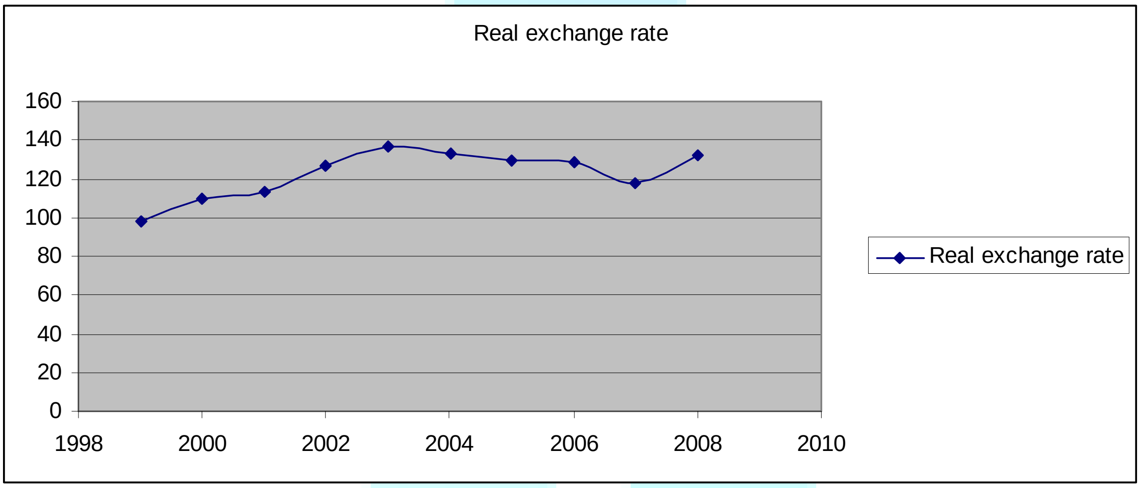


(Source: Data analysis, 2010)

4.1.3: Real Exchange Rate (1999-2008)

Figure (3) shows that over the past years, Nigeria currency value depreciated in 1999, it appreciated gradually from 2000-2003 and later fell in 2007. it rose again in 2008. This therefore implies that there has been a fluctuation in the trend in 1999-2008.

FIGURE 3: THE TREND OF REAL EXCHANGE RATE BETWEEN 1999-2008

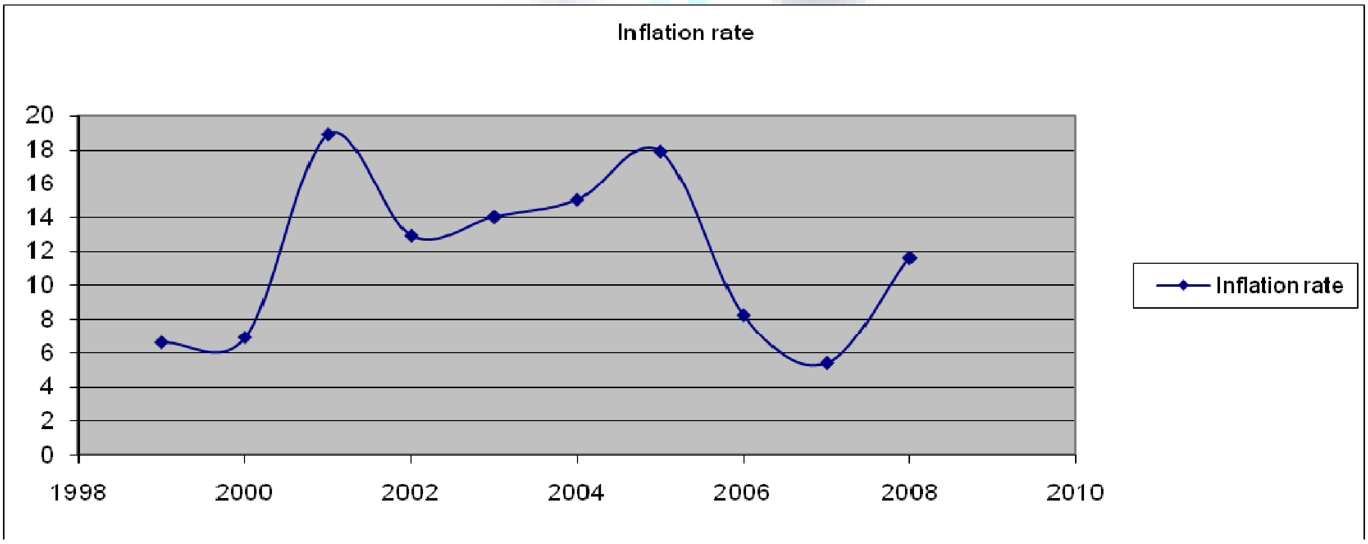


(Source: Data analysis, 2010)

4.1.4: Inflation Rate (1999-2008)

Figure (4) shows the movement of inflationary rate in Nigeria. In 1999 inflation was very low. It rose gradually in 2000 with a sharp rise in 2001 and dropped a little in 2002 and later increased in 2005 and 2008 respectively. This increase in 2008 might be as a result of the shock of global financial crises.

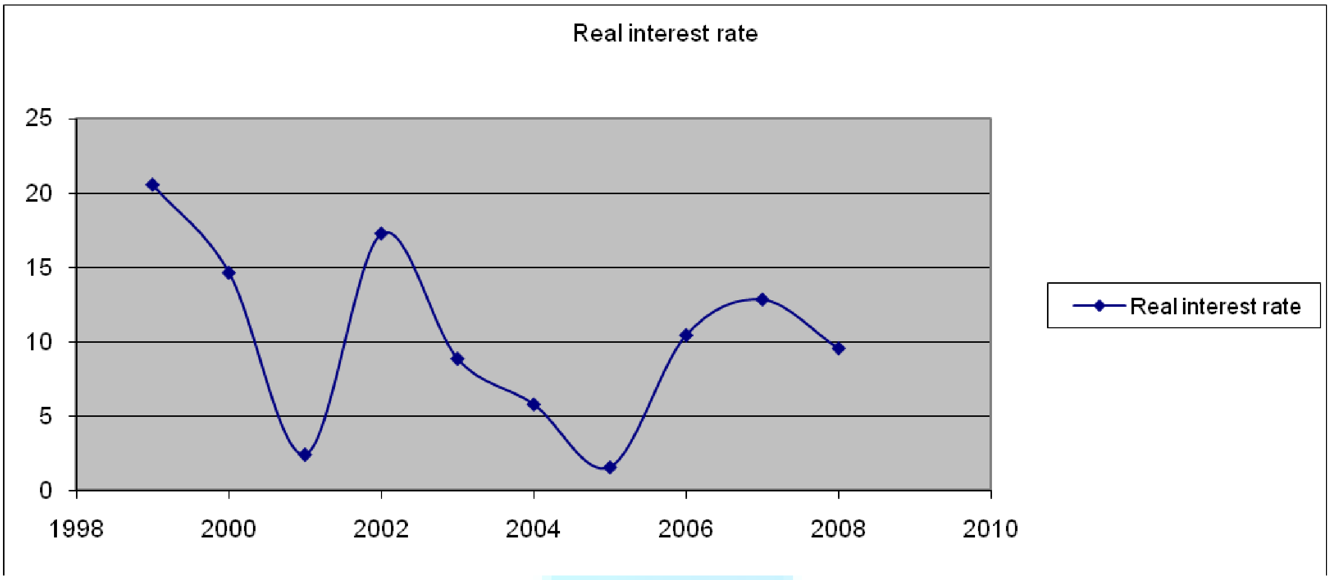
FIGURE 4: THE TREND OF INFLATION BETWEEN 1999-2008



(Source: Data analysis, 2010)

4.1.5: Real Interest Rate (1999-2008)
Figure (5) shows how the real interest rate in Nigeria has been fluctuating. The interest rate in Nigeria increased in 1999 and fell in 2001, it rose sharply in 2002 and fell back in 2005, it later increased in 2006.

FIGURE 5: THE TREND OF REAL INTEREST RATE BETWEEN 1999-2008



(Source: Data analysis, 2010)

4.2. REGRESSION RESULTS
This is used to achieve objective two. It estimates the factors influencing export volume (performance) in Nigeria. The signs of coefficient if positive shows a percentage increase in the explanatory variables would lead to a percentage increase in GDP and vice versa.

The result shows (table 1) that all the variables (interest rate, inflation rate, total import, degree of openness and exchange rate) have negative relationship with the export volume except the GDP. The coefficient of determination (R^2) regression of GDP is 99.4%. R-square shows that about 99.4% total variation in GDP is explained by the explanatory variables (exchange rate, inflation rate, import, degree of openness and interest rate). Meanwhile, GDP and degree of openness are significant at 1% and import is significant at 5% level of probability respectively. The F-statistics show that the model is significant.

TABLE 1: REGRESSION RESULTS OF EXPORT VOLUME (MODEL 1)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.997[a]	.994	.983	.07446

a. Predictors: (Constant), logimport, loginflation, logopenness, logexchange rate, loginterest rate, loggdp

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.946	6	.491	88.544	.002[a]
	Residual	.017	3	.006		
	Total	2.962	9			

a. Predictors: (Constant), logimport, loginflation, logopenness, logexchange rate, loginterest rate, loggdp

b. Dependent Variable: logexport volume

COEFFICIENTS[A]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.367	1.030		2.298	.105
	Loggdp	3.534	.345	1.878	10.231	.002
	Logopenness	-2.834	.251	-.801	-11.276	.001
	Loginflation	-.455	.245	-.153	-1.852	.161
	loginterest rate	-.082	.141	-.052	-.584	.600
	logexchange rate	-.058	.034	-.126	-1.701	.187
	Logimport	-3.033	.400	-1.472	-7.586	.005

Summary of the Regression Results

Logx= 2.367 + 3.534loggdp – 2.834logop - 0.455loginf – 0.082logint – 0.058logxc– 3.033logm
(0.105) (0.002)* (0.001)* (0.161) (0.600) (0.187) (0.005)**
R-squared = 0.944(94%)
* Significant at 1%
** significant at 5%

F-statistics = 88.544

Figures in parenthesis are t- statistics

4.3: CORRELATION ANALYSIS

The value of correlation ranges between 0 and 1. However, as the value tends towards 1, shows a strong relationship between dependent variable and independent variable.

The correlation analysis shows the relationship between the export volume and the explanatory variables (inflation, interest rate, exchange rate, import, GDP, and degree of openness). In the table below, inflation rate, interest rate and degree of openness have a negative relationship with export volume, while other variables have positive relationship with export volume. But degree of openness is significant at 1%. This implies that degree of openness is an important factor contributing to export volume in Nigeria.

TABLE 3: CORRELATION MATRIX BETWEEN EXPORT VOLUME AND OTHE MACRO ECONOMIC VARIABLES

Correlations								
		Export volume	GDP	openness	Inflation	interest rate	Exchange rate	import
export volume	Pearson Correlation	1	.465	-.793**	.253	-.430	-.623	.391
	Sig. (2-tailed)		.176	.006	.481	.215	.054	.264
	N	10	10	10	10	10	10	10
GDP	Pearson Correlation	.465	1	.046	.002	-.176	-.341	.970**
	Sig. (2-tailed)	.176		.900	.995	.626	.334	.000
	N	10	10	10	10	10	10	10
openness	Pearson Correlation	-.793**	.046	1	-.360	.488	.573	.024
	Sig. (2-tailed)	.006	.900		.306	.152	.083	.947
	N	10	10	10	10	10	10	10
inflation	Pearson Correlation	.253	.002	-.360	1	-.760*	-.341	-.020
	Sig. (2-tailed)	.481	.995	.306		.011	.335	.955
	N	10	10	10	10	10	10	10
interest rate	Pearson Correlation	-.430	-.176	.488	-.760*	1	.231	-.175
	Sig. (2-tailed)	.215	.626	.152	.011		.522	.630
	N	10	10	10	10	10	10	10
exchange rate	Pearson Correlation	-.623	-.341	.573	-.341	.231	1	-.382
	Sig. (2-tailed)	.054	.334	.083	.335	.522		.276
	N	10	10	10	10	10	10	10
import	Pearson Correlation	.391	.970**	.024	-.020	-.175	-.382	1
	Sig. (2-tailed)	.264	.000	.947	.955	.630	.276	
	N	10	10	10	10	10	10	10
**. Correlation is significant at the 0.01 level (2-tailed).								
*. Correlation is significant at the 0.05 level (2-tailed).								

4.4 SUMMARY OF MAJOR FINDINGS

The result shows that the export volume has been fluctuating with respect to the years under review. Similarly, the result shows that the movement of GDP has been rising gradually from 1999-2008, with a sharp increase in 2008.

The trend of real exchange rate is also not stable; Nigeria currency depreciated in 1999, it appreciated gradually from 2000-2003 and later fell in 2007. It rose again in 2008. This therefore implies that there has been a fluctuation in the trend in 1999-2008.

The result also shows that all the variables (interest rate, inflation rate, total import, degree of openness and exchange rate) have negative relationship with the export volume except the GDP. The coefficient of determination (R^2) regression of GDP is 99.4%. R-square shows that about 99.4% total variations in GDP is explained by the explanatory variables (exchange rate, inflation rate, import, degree of openness and interest rate). Meanwhile, GDP and degree of openness are significant at 1% and import is significant at 5% level of probability respectively.

The correlation analysis shows the relationship between the export volume and the explanatory variables (inflation, interest rate, exchange rate, import, GDP, and degree of openness). In the table, inflation rate, interest rate and degree of openness have a negative relationship with export volume, while other variables have positive relationship with export volume. But degree of openness is significant at 1%. This implies that degree of openness is an important factor contributing to export volume in Nigeria.

4.5 CONCLUSION OF THE FINDINGS

The research work is on the analysis of factors influencing export volume on the Nigeria economy, the study concluded that GDP, degree of openness and import are important variables in the analysis of export volume that would invariably lead to economic growth and development of Nigerian economy.

4.6 POLICY RECOMMENDATIONS

The study hereby recommends the following:

- Exchange rate: the major focus of exchange rate policy should be to ensure that the naira and major convertible currencies exchange at competitive levels in the real terms in order to export a stimulating effort on external sector. Emphasis should therefore be placed on relative stability of the rates as well as ensuring a favourable comparison between official and parallel market rate.
- There is need to upgrade the institutional machinery for standardization and quality control in respect of export goods. This could be done on sectoral product basis with focus on target markets.
- There is need to stimulate increase in production of both manufactured and agricultural items. Such output increases would ensure product availability for both local and export markets.

- The need to upgrade basic infrastructural facilities to functional level cannot be overemphasized. Regular and adequate water and power supplies must be assured.
- Rural roads, port facilities as well as telecommunications services should be upgraded and made continually functional. This would greatly reduce both overhead and operating cost and price competitiveness of Nigeria exports.
- An overall review of the existing machinery for the administration of export incentives should be undertaken with the objective of removing any identified obstacles and elimination avoidable delays in accessing them.

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