

**THE IMPACT OF NON OIL EXPORT ON UNEMPLOYMENT RATE
IN NIGERIA FOR THE PERIOD (1981-2017)**

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CERTIFICATION

This is to certify that this project work was carried out by **OJELEYE SAMUEL OMOTAYO (EDS/14/1914)**. It has been read and approved, having met the standard requirements for the award of (B. Sc) Degree in the Department of Economics and Development Studies, Faculty of social Science, Federal University Oye - Ekiti, Nigeria.

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DEDICATION

This project is dedicated to Almighty God

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ABSTRACT

This study determined the trend of non oil export and unemployment rate in Nigeria. The study also examined the relationship between non oil export and unemployment rate in Nigeria. This is with the view to examining the impact of non oil export on unemployment rate in Nigeria for the period 1981 to 2017. The study employed Autoregressive Distributed Lag model (ARDL Model). Data on Unemployment (UEM); Non-oil Export (NONX); Gross Domestic Product (GDP); Exchange Rate (EXCHR); Inflation (INF) and Government Expenditure (GXP) were sourced from the Central Bank of Nigeria statistical bulletin 2018 edition. The data were analyzed using descriptive and inferential tools. The result of the descriptive analysis shows that both non oil export and unemployment rate have been on the increase over the study period. The regression estimate shows that non oil export had insignificant influence on unemployment rate in Nigeria. The study concluded that non oil export has not contributed to reducing the rising level of unemployment rate in Nigeria. The study therefore recommends that there is the need for the government to put in place policies that would enhance the performance of the non oil sector such as the provision of mechanized equipments and improved seedlings for investors in the agricultural sector.

Keywords: non oil export, unemployment rate, agricultural sector, ARDL Model,

Nigeria.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The activities of the non-oil export and unemployment rate in Nigeria has been a major concern to economic researcher, governments, policymakers, and international traders, etc. The growth of Nigeria non-oil exports has been very slow and proves not to be encouraging. The economic effects of this among others is a slow development process of industrializations, increase in unemployment rate etc. this situation was made worse by the almost total neglects of the agricultural sector. Since the agricultural product is the mainstay of the Nigeria economy. The development of an enduring economy goes hand in hand with agricultural development.

Agriculture is considered a catalyst for the development of any nation's economy According to Taro, (2010) for the nation's agricultural system to be developed it must possess certain ingredient, such as the mechanization/technological applications, access to credit and seed as well as acceptance of agriculture as a business of venture.

Available evidence tends to point a noticeable increase in the contribution of the non oil sector to the growth of the economy over the last decades. According to the central bank of Nigeria, the non-oil export which is the agricultural products has a positive relationship on the economy growth of Nigeria economy Due to the introductions of crude oil export in the mid-1970. The export sector is characterized by the dominance of single export commodity, which is the oil sector. And from mid-1980's crude oil was one of the main factors that were prominent in the Nigeria economy. The export of crude oil therefore constitutes about 96 percent of total export. This has decrease the contribution of the non-oil export.

The oil sector revenue countries such as the Nigeria economy has not pay a considerable attention to the development of the non-oil sector as well as its export performance. The effect of this leads to some undesired consequences such as the Dutch disease in the country.

An evaluation of the trends and patterns of the activities of the non-oil export shows that despite various economic strategies and policies, the impacts of the non-oil export have been below its full capabilities. And the concerned over the years has been to improve and expand the export potential of the non-oil products in a bid to diversify the nation's productive base.

1.2 Statement of the Research Problem

Since Nigeria has become a mono-cultural economy relying on earnings from crude oil exports for the growth of the economy. The oil sector is known to have contributed about 90% earnings to Nigeria economy which has brought about a higher proportions of people in Nigeria been employed (Omodigo, Merius & Oluchukwu, 2013). More so, they affirmed that oil export earnings are concentrated in the hands of less than one percents of the Nigeria populations dominated by expatriates and members of the political class who control productions and proceed relatively. One major problems with the over dependence of the oil sector is the facts that is prices often fluctuates; this implies that dynamics of the Nigeria economy is at the wimps and caprices of the prices of oil (Enema and Isedu, 2011). This means that any structural distortions in the foreign economics capable of causing's change in oil prices directly affecting Nigeria economics which has brought about a decrease in the unemployment rate in the country.

According to Ojo, (1993) the agricultural sector growth has recently being hampered by increased cost arising mainly from general deregulation. It should be

observed that the performances of agricultural export has been immensely poor due to the fact that oil sector is being given much consideration in the economy which brought about the highest generation of revenue in the economy. Although, non-oil export performance remains largely unimpressive, the non-oil sector is expanding though slowly. Furthermore, the international demand for non-oil product remain low due to the development of synthetic alternating discriminating tariff and the new entrant into the international commodity market.

Export in the Nigeria economy could be filled from the oil and non-oil export as these are the major sources of foreign exchange earnings for the country with oil being the dominant sector Enoma and Ichedu, (2011). The non-oil sector includes the agricultural sector, manufacturing sector and service sector.

According to the CBN 2010, the non-oil export sector constitutes 33 percent of total export, while that of oil sector constitute of 67 percent. Agricultural sector has one the major independent variable should be the main stay of the economy and the bane of non-oil export in Nigeria is largely characterized by low productivity Abogan, (2014). This is due to the factor such as farm size, crude and outdated farm implement, and inadequate access to credit facilities among others. The decline of this sector has a gross impact on industry that relied heavily on raw materials. Thus, the decline in agricultural sector brings about increase in high unemployment rate in the country. The surge of revenue from oil export as well as the poor implementation of various policies strategies and reform programs me in the sector.

Although studies exist on unemployment, while others have focused on non-oil export in Nigeria; Studies by Amassoma and Nwosa (2013) Muhammed, Inuwa and Oye (2011) Akeju and Olanipekun (2014) Onwachukwu (2015) focused on the impact of unemployment rate on economic growth. While other studies such as Kayode (2015)

Odularu (2010) and Ayanwale (2007) have focused on issues relating to non-oil export in Nigeria. These studies did not provide the link between unemployment and non-oil export in Nigeria. Thus this study intends to fill the gap of knowledge by examining the impacts of non-oil export on unemployment rate in Nigeria from 1980-2016.

1.3 Research questions

Research questions of this study are

- 1) What is the trend of non-oil export inflow and unemployment rate in Nigeria?
- 2) Does non-oil export causes unemployment rates to vary in Nigeria?
- 3) To what extent does non-oil export affect unemployment rate in Nigeria?

1.4 Research Objectives

The broad objective of this study is to investigate the impact of non-oil export on unemployment rate in Nigeria. The specific objectives are;

- 1) To observe the trend of non-oil export and unemployment rate in Nigeria.
- 2) To determine the effect of non-oil export and unemployment rate in Nigeria.
- 3) To examine the directions of causality between non-oil export and unemployment rate in Nigeria.

1.5 Scope of the Study

The main objective of this study is to investigate the impact of non-oil export on unemployment rate in Nigeria; therefore attempt has been made to limit the scope to thirty four years from 1980-2016.

1.6 Justification of the Study

Despite the various allocations and policies to the development of the oil and non-oil exports sector, it is yet to perform up to expectation. The volume of foreign exchange being generated is either not enough or has fallen. This is due to the monoculture nature of the Nigerian economy. Since the first Nigerian national plan, the

allocation to the non-oil exports like manufacturing sector has been increasing with little impact being felt in the economic recovery. There is over dependence on one sector of the economy which needs diversifying. The desire to find a realistic exchange rate for the domestic currency is an important macro-economic policy objective for a developing country highly dependent on trade. Also the non-oil exports of the economy have featured in the developmental strategies and plans of many countries and this has been successful e.g. in time Industrialized Countries (NIC) or the Asian tigers which export strategy has been successful, this necessitates the need for this. The contribution of the non-oil export to the employment rate of Nigeria economy is significant and important, for this knowledge it would enable the policy maker to formulate appropriate policies that would aim at improving the quota of the total revenue brought by the non-oil export of the economy.

1.7 Organization of the Study

This study is divided into five chapters. Chapter one views the background of the study, the problem statement and research questions, the objective of the study, the significance of the study and the scope of the study. Chapter two analyses the conceptual framework, theoretical underpinnings, empirical review as well as the research gap. Chapter three discuss the theoretical framework adopted for the study, the model specification, the estimation technique as well as the data sources and measurement. Chapter four examines the presentation of data as well as analyses. Chapter five explains the summary of the study, the conclusion as well as policy recommendation of the study.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

Literature review entails critically evaluating already existing theories related to the particular study in question so as to make assumptions of the existing relationship between the variables in the study. The first section focuses on the theoretical perspective of this study. The second section discusses theories this study is based on. The third section focuses on empirical literature of the study by various scholars while the fourth section focuses on the summary of the literature as well as the research gap and also the theoretical framework which covers the theory which this study will be based on based on the theoretical perspective.

2.1 Theoretical Perspective

2.1.1 Theoretical Perspective on Unemployment

According to the neoclassical theory, unemployment is voluntary. The term voluntary unemployment means that the person is not willing to work in the wage offered and prefers to remain unemployed (because s/he hopes to find soon a better job - job search), or that the employer refuses to employ him because his salary cannot be reduced due to national collective agreements. According to Balami (2006) unemployment is defined as a situation where in a worker is or workers are involuntarily out of work. This means that workers are willing and able to work but cannot find any work. The classical economist defined Unemployment as the excess supply of labor over the demand for labor which is caused by adjustment in real wage. The Classical or real-wage unemployment occurs when real wages for job are set above the market-clearing level, causing number of job-seekers to exceed the number of vacancies. The International Labor Organization (2009) also defined unemployment as a state of

joblessness which occurs when people are without jobs and they have actively sought work within the past four weeks. The unemployment rate is a measure of the prevalence of unemployment and it is calculated as a percentage by dividing the number of unemployed individuals by individuals currently in the labor force. According to Aminu and Anono (2012) Unemployment can be conceptualized as total number of people who are willing and able to work, and make themselves available for job at the prevailing wage but no work for them.

Classical Theory of Unemployment

The classical theory of unemployment was formulated by the Classicalist. The Theorist of the Classical Economic School of Thought strongly believed the fundamental principle that the economy is self-regulating. They emphasized the role of money in explaining short term changes in national income that has a short-term duration. They assume the existence of full-employment without inflation. The classical theory of unemployment argued that unemployment has been looked upon in terms of aggregate. The theory states that involuntary unemployment is a short term phenomena which is a result of a discrepancy between the price level and wage level. It implies that unemployment results from too high real wages. The Classical Economic School of Thought also strongly believed in the theory of demand and supply and as a result the classical theory of unemployment also strongly insists that urban unemployment is caused by low supply of labor of more than the capacity of the economy. Consequently, the school argued that the demand for too high wages of worker without a corresponding increase in productivity renders product costly thereby discouraging competitiveness among local industries and foreign industries. The implication of this trend is the reduction of sales, which further leads to mass retrenchment of workers resulting to unemployment.

Keynesian Theory of Unemployment

The Keynesian theory of unemployment was part of the ideas of the British Economist, John Maynard Keynes who founded the Keynesian School of Economic Thought in the 1930s and revolutionized thinking in several areas of macroeconomics. The Keynesian theory of unemployment is also referred to as “Cyclical” or “deficient-demand” unemployment because it varies with the business cycle though can also be persistent as during the great depression of the 1930’s. This theory posit that unemployment arises when there is declining aggregate demand in the economy to provide job for every able, qualified and willing individual who want to work. Cyclical unemployment rises during economic down-turns and falls when the economy improves which occurs as a result of inadequate effective demand. In view of this economic theory, when there is decline in demand for most goods and services, there is accompanied decline in production volumes which necessitate the need to reduce the number of workers, thus, wages are gluey and subsequently do not drop to maintain the equilibrium position, and mass unemployment upshots (Wikipedia Encyclopedia, 2013). According to Keynes, employment can be increased by increasing consumption and/or investment. Consumption depends on income $C(Y)$ and when income rises, consumption also rises but not as much as income.

Marxian Theory of Unemployment

Karl Marx in 1863 propounded the Marxist Theory of Unemployment based on his theory of “surplus value” which states that “It is the very nature of the capitalist mode of production to overwork some workers while keeping the rest as a reserve army of unemployed paupers.” Karl Marx, in this theory, considers that unemployment is inherent within the unbalanced capitalist system and intermittent catastrophes of mass unemployment are to be anticipated. Marxists also share the Keynesian viewpoint of the

relationship between economic demand and employment, but with the caveat that the market system's (capitalist system) propensity to slash wages and reduce labor participation on an enterprise level causes a requisite decrease in aggregate demand in the economy as a whole, causing crises of unemployment and periods of low economic activity before the capital accumulation (investment) phase of economic growth can continue (Hauwa, 2016). Furthermore, Karl Marx argued that the only way to permanently eliminate unemployment would be to abolish capitalism and the system of forced competition for wages and then shift to a socialist or communist economic system.

Efficiency Wage Theory

The Efficiency Wage Theory is a macro-economic approach to explaining unemployment. It was worked on by the new Keynesian economist and stated that there is solid macroeconomic reason for inflexible wages. They argued that the firms sometimes find it in their interest to pay wage rates above market clearing levels because labor productivity depends on the wage rate the firm pays to employees (i.e. the higher the wage rate is the higher the productivity level of the workers). The rationale behind the theory is as follow; Assume that worker differ in quality (not just in abilities but in the tendency for a worker to work longer hours) in other words, some people are lazier than others and are therefore less likely to work harder. The effort is a function of costly monitoring i.e. if you are being closely monitored than if you not. An employer cares about the cost of labor (the wage rate). However, the cost is dependent upon the productivity of the workers. So, the objective is one to minimize the wage divided by productivity (wage per unit produced). To do this, there are at least two options: Firstly you can increase productivity by increasing wages. The reason for this is that as wages increases, the cost shrinking becomes higher because if you are caught, you are fired and

lose your wages and the higher the wage is the more you lose by being fired. A higher wage thus means that you work even harder since it is more important for you not to be fired (Jajere, 2016).

2.1.2 Theoretical Perspective on Non-oil Export

The literature on international trade which suggests that exports have a positive impact on economic growth is known as the Export-led-growth (Giles & Williams, 2000). Different reasons have been proposed for explaining the evidence found in previous 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 represents an additional consumption demand which increases the amount of real output produced in the economy (Giles & Williams, 2000). Another more elaborated explanation is that exporting is associated with more productive firms (Bernard & Jensen, 1999; Bernard & Wagner, 1997), and thus export-led growth at aggregate level may be the result of both the accumulation of within-firm productivity gains from export participation, or the reallocation of resources from comparatively less productive non-exporters to more productive exporters (Bernard & Jensen, 2004; Roberts & Tybout, 1991). According to Uche (2009), the relevance of exports in boosting economic growth and prosperity is captured in the theoretical justification for international trade. In the mercantilist economic thought, for instance, foreign trade is seen as an indispensable engine of economic growth and prosperity (Roll, 1953; Bhatia, 1978). Indeed, foreign trade under mercantilism is considered to be profitable only when there is positive balance of trade thus implying that exports are the most crucial aspect of international trade. But as pointed out by Ozughalu and Ajayi (2004), if every country ensures that it gets a surplus in international trade, there will be high degree of protectionism and many barriers to the

flow of foreign trade; and these are incompatible with the essence of globalization. A highly robust theoretical underpinning for international trade lies in the classical economic theory of comparative cost advantage. The theory of comparative cost advantage states that global output will reach its optimum level if every country specializes in the production of the commodity (or commodities) in which it has comparative cost advantage over others; this is seen as the basis for profitable trade (Ozughalu and Ajayi, 2004).

The Heckscher–Ohlin Theory

As pointed out by Souderton and Reed (1994), the Heckscher-Ohlin theory is a theory of long term general equilibrium in which two factors of production labour and capital are both mobile between sectors. The Heckscher – Ohlin theory postulates that international trade – of which exports are expected to constitute the major component – will significantly reduce the gap between the rich and poor countries. [The theory contends that inter-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 (Sodersten and Reed, 1994). 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 thus will increase the returns 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 (Ozughalu and Ajayi, 2004). The relationship between exports and economic growth has always been a hot issue and has often generated heated debate among economists and policy makers. As observed by Lin and Li (2007), there are

basically two approaches used in addressing the issue. The first approach has to do with studying the contribution of exports to the economic growth of an economy through analysis of the supply side of the economy. This approach emanates from the neo-classical economic growth theory/model. The approach states that the major source of economic growth lies in two major areas namely: increases in factor input(s) and improvements in efficiency. Following the above statement, analysis from the approach often regards exports as a factor that can affect technological progress or to be among factors that are related to economic efficiency. In practical terms, the contribution of exports is thought to be included in the residuals of growth accounting. It is noteworthy that the new growth theory/model endogenises the mechanism through which exports impact on economic growth. ¹³ In line with this theory/model, Grossman and Helpman (1990) have proposed a two-nation growth model with endogenous technological progress. As shown in their model, exports help to promote technology and knowledge and thus accelerate economic growth. It is instructive to state here that how to introduce exports into the production function is the major problem involved in the econometric analysis that follows the neo-classical approach. Some analysts directly include exports in the production function as the third variable while others use more sophisticated methods. The second approach is to study the contributions of exports to a country's economic growth through analysis of the demand side of the country's economy. The demand side approach is also called demand oriented analysis or post-Keynesian analysis.

Export Diversification

Horizontal and Vertical Export Diversification Export dependency on primary products of a country can be reduced through diversification of the export portfolio. However, export diversification can take place in different forms and dimensions and

thus its analysis can be undertaken at different levels. Usually, by changing the shares of commodities in the existing export mix, or by including new commodities in the export portfolio, a country can attain export diversification. In this context, there are two well-known forms of export diversification that are common in the trade literature, namely, horizontal and vertical diversification. While horizontal diversification entails alteration of the primary export mix in order to neutralize the volatility of global commodity prices, vertical diversification involves contriving further uses for existing and new innovative commodities by means of value-added ventures such as processing and marketing. It is expected that vertical diversification could augment market prospects for raw materials that may compliment economic growth and thus lead to further stability as processed commodities tend to have more stable prices than raw materials. It should be noted that, while both horizontal and vertical diversification may be equally portentous for a country's economic progress, requirements for the two could vary considerably in terms of technological, managerial and marketing skills. For instance, a diversification policy contrived to enhance vertical diversification may require more advanced technology, skills and initial capital investment than horizontal diversification policies do. On the contrary, vertical diversification could also be linked with higher learning possibilities that, in turn, may produce greater dynamic externalities than that of horizontal diversification. Another important issue in this context also pertains to whether the analysis of export diversification should focus on aggregated or disaggregated commodities. It has been argued that examination of the commodity sector in aggregated form may permit only an appraisal of horizontal diversification from commodities into manufactures instead of diversification within as well as outside the commodity sector (UNCTAD, 1995). Such an aggregated analysis is also likely to bypass the possibilities that export diversification, at times, could be the outcome of a more vibrant, sometimes

traditional, commodity sector. For instance, some developing or emerging economies have endured robust diversification into manufacturing industries parallel to the growth of their commodity sector. What is important to note in this context is that, for a country to achieve sustainable long-term growth, it should not only diversify from the commodity sector into high-value-added manufactured goods but, at the same time, it should also attempt to expand the latter sector and, wherever possible, strengthen the former.

The Export-Led Growth (ELG) Hypothesis

The so-called Export-Led Growth (ELG) hypothesis is at least as old as the classical school, as both Adam Smith and David Ricardo supported it (Richards 2001). Among modern economists, Beckerman (1965) attributed exports' favorable impact mainly to the production efficiency gains stemming from improved resources allocation, while Haberlar (1959) stressed the relevance of dynamic benefits, such as the improved availability of foreign capital and technology through the release of the balance of payments constraint. Vernon (1966) focused on the opposite causality channel, in which the self-propelled growth of the domestic economy leads to improved competitiveness and eventually to the expansion of exports. More recent "endogenous growth" theories emphasize the benefits stemming from a dynamic export sector, in a framework characterized by increasing returns to scale and by virtuous technological and managerial spill-over effects towards other sectors (Fedor 1992). Helpman and Krugman (1985) develop some of Beckerman's and Vernon's ideas, arguing that the initial growth spurt favoured by export expansion through the efficiency and allocation effects reverberates in enhanced international competitiveness, fostering a new round of export expansion and paving the way for a virtuous development path. After several decades and the accumulation of an ever-expanding body of research literature, however, "No consensus

has emerged on the theoretical appropriateness of the export-led growth hypothesis...Theoretical disagreement on the role of exports is matched by mixed empirical evidence” (Jin 2002; Richards 2001). To this respect, it must be taken into account that attempts to show econometrically that exports are a crucial cause of growth face two basic problems. First, exports are themselves a component of GDP, and thus evidence of a correlation is insufficient to prove consistently any actual causal relationship which might in fact exist. Second, other relevant macroeconomic variables, and especially other components of aggregate demand, are also correlated with GDP growth, and thus a missing variables problem of model misspecification inevitably arises (Sheehey 1990).

2.2 Empirical Review

2.2.1 Empirical Review on Unemployment and Other Macroeconomic Variables

While only few researchers have been concerned about the existing relationship between unemployment and non-oil export and the causal effect between these two variables, most researchers have studied the existing relationship and causal effect between unemployment and other macroeconomic variables such as economic growth, inflation, the economy and so on. Some of these researchers looked at Unemployment as the independent variable while others looked as unemployment as the dependent variable.

Kayode (2015) examined the relationship between inflation and unemployment in Nigeria for the period 1977 – 2013 through the use of the Phillips Curve. The study used Vector Error Correction Model to analyze the data on inflation and unemployment and Granger Causality technique in order to test the validity of the Phillips Curve relationship in Nigeria. The study was consistent with the existing literature that established a negative correlation between the inflation and unemployment and found that inflation

and unemployment shows a negative relationship in Nigeria economy in the short and long-run. The outcome of this study was that 1unit increase in the unemployment rate would decrease inflation by 1.176units in the long-run. In the short-run, 1unit increase in the unemployment rate would reduce the inflation rate by 0.622units The Granger Causality Test shows that inflation Granger causes the unemployment in Nigeria. The result of this study was backed up with the economic reason that during inflation, investments are encouraged by generating high profits to the owner. Therefore, number of investors will be increased that resulted to employ many workers purposely for the production. Hence, number of employment will be increased and number of unemployment will be reduced.

Ahsan (2010) argue that higher employment is not usually associated with higher per capita GDP. In their investigation of the aggregate growth profile of India, findings showed a negative relationship. The study was carried out on poverty rates, employment, and the working-age population and observed over ten-year periods corresponding to the years 1983–93 and 1993–2003.

Olotu (2015) view the phenomenon as a result of an inability to fully utilize available factors of production. The study on Nigeria argues that jobless growth is increasing as a result of the very high number of graduates produced every year, and the country's incapacity to absorb them. The country's growth and business environment which has not been able to significantly expand the formal sector has left the economy largely trapped in its pre-2001 trajectory when it started to witness a sustained expansion in its non-oil economy.

Amassoma and Nwosa (2013) examined the impact of unemployment on productivity growth in Nigeria using an error correction modeling approach and co-integration technique to analyze the data used from 1986 to 2010. The regression

estimate based on the short run and long run models showed that unemployment rate had an insignificant influence on productivity growth in Nigeria over the study period.

2.2.2 Empirical Review on Non-Oil Export and Other Macro-Economic Variables

Byiers (2015) also recently studied the impact non-oil export has on unemployment rate from Latin America, Africa, and Asia using the JoGGs decomposition tool, particularly in the context of economic structural transformation. The paper showed that intersectoral shifts contributed more to growth than rising productivity within them. These labour movements were also towards the services sector including precarious, low-productivity jobs, rather than manufacturing. Byiers (2015) additionally raised a rather crucial aspect of employment dynamics, underscoring the importance of politics as a key determinant of employment progress. New assessments of African government policies and institutions have emphasized governance as a crucial factor responsible for the uneven growth performance in most of Africa.

Odularu (2010), anchoring on Harrod-Domar theory and Solow's theory of economic growth used Ordinary Least Square regression and Cobb-Douglas production function to result showed that both export and growth are related to each other.

Examining exports and economic growth nexus in Indonesia, Rahmaddi (2011), employed vector autoregressive (VAR) model. The GIRF analysis indicated a significance of both exports and economic growth to the economy of Indonesia. They concluded from their findings that in the short run, economic growth leads to export, but in the long run, export leads to economic growth.

As shown by Fosu (2009) in Uche (2009), examined the relationship between the non oil export and unemployment rate, the standard justification for such a treatment is based on the fact that the development of exports allows the home country to concentrate investment in those sectors where it enjoys a comparative advantage and the resulting

specialization is likely to augment overall productivity; similarly the larger international market permits economies of scale to be realized in the export sector; in the same way worldwide competitive pressures are likely to

Rodriguez and Rodrik (2000) provided a critique of the various studies that concluded that liberal trade fosters growth. They found fault with the various data, variables, specifications and methodology adopted by most of these studies on the ground that they were based on anecdotes and case studies. They, however, supported Dollar and Kraay (2000) that debunked the generalizations of these studies by using international economic data for over 100 countries.

In another study, Michael and Ruhwedel (2005) examined the link between production variety and economic growth using panel data for 14 transition countries. Their results show that open economies attain higher economic growth than closed ones. They attributed the gap to the role of international trade and co-operation.

Coe and Helpman (1995) using time-series data show that trade affect economic growth positively through technological transfer.

Similarly, Bayoumi et al. (1999) assert that research and development, its spillover and trade play important roles in promoting economic growth both in industrial and developing countries.

Muhammad and atte (2006) are of the opinion that the Nigerian rich humans and materials resources endowment's gives it the potential to become Africa largest economy and a major player in the global economy. Compared with other Asian and African countries, economics development in Nigeria has been disappointing wit GDP of about 45 billion, 32.953billion and 55.5billion dollars in 2001, 2002 and 2003 respectively and per capital income of about \$300 a year, Nigerian has become one of the poorest countries in the world.

In the view of the importance of agricultural growth to economic growth, Ayanwale (2007) found that FDI has a positive link with economic growth but cautioned that the overall effect of FDI on economic growth may not be significant. Using a bivariate VAR modeling structure, Herzer et al. (2006) found evidence in support of a positive FDI-led growth in Nigeria, Sri Lanka, Tunisia, and Egypt. Using a weak exogeneity tests, a long-run causality between FDI and economic growth running in both directions was found for the same set of countries. A slight difference from this result is found by Okodua (2009) who used the Johansen co-integration to find evidence of a long-run equilibrium relationship between economic growth and FDI inflows and also, a owe-way causality from FDI to economic growth

Uche (2009) in his studies employed econometric methodologies to assess the impact of oil export and non-oil export on the growth of Nigerian economy and discovered that there is a unidirectional causality from oil export to GDP which goes to support the export-led-growth in the case of Nigeria but with reference to oil sector only. He also found non-oil export does not granger cause economic growth in Nigeria. This work followed most of the set rules in econometric analysis and may have generated a robust result but was not able to cover up to 2011 period, and government have taken a number of steps to improve the non-oil sector of the Nigerian economy and the effect of these policies and program by the government may have improved the impact of non-oil sector to the growth of Nigerian economy. And so, a resent look at this subject area becomes import to give consideration to the responds of these government policies and program aimed at improving the non-oil sector of the economy. Thus this study intends to correct these methodological defects in most of the works mentioned. It is worthwhile to further point out that the earlier studies did not recognize the dichotomy between oil exports and non-oil exports except Uche (2009).

Grossman and Helpman (1991) demonstrated the importance of imports of foreign technology in the growth process of a country. He explained that the importation of foreign equipments creates a more efficient production system, increases productive capacity, global output, technological capacity development and economic growth. International trade also impacts the economic growth of countries through the attraction of foreign direct investment (FDI).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Theoretical Framework

The framework used in this model is The Keynesian theory of unemployment also referred to as “Cyclical” or “deficient-demand” which posit that unemployment arises when there is declining aggregate demand in the economy. Cyclical unemployment rises during economic down-turns and falls when the economy improves which occurs as a result of inadequate effective demand.

3.2 Model Specification

A model is a mathematical representation of a reality. It is also a simplified view of reality designed to enable a researcher describe the essence and inter-relationship within the system or phenomenon it depicts (Yomere and Agbonifoh, 1999). Koutsoyianis (2003) defined model specification as the statement of maintained hypotheses. According to Gujarati (2007), an econometric investigation begins with the specification of the econometric model underlying the phenomenon of interest.

Therefore the specification of model is needed to give the researcher a framework with which to work. To examine the impact of non-oil export on unemployment rate in Nigeria, this study specifies that:

$$UEM = f(NONX, GDP, EXCH, INF, GXP) \dots \dots \dots (1)$$

Where: UEM= Unemployment

NONX= Non-oil Export

GDP= Gross Domestic Product

EXCHR= Exchange Rate

INF= Inflation

GXP= Government Expenditure

The model is specified in its econometric form as seen below:

$$UEM = \beta_0 + \beta_1 NONX + \beta_2 GDP + \beta_3 EXCHR + \beta_4 INF + \beta_5 GXP + u \dots \dots \dots (2)$$

Where: u is the Error term, β_0 is the Intercept and $\beta_0, \beta_1, \beta_2, \beta_3, \beta_4,$ and β_5 are the parameters.

The models can also be specified in a semi log-linear form. Thus:

$$\text{LnUEM} = \beta_0 + \beta_1 \text{LnNONX} + \beta_2 \text{LnGDP} + \beta_3 \text{LnEXCHR} + \beta_4 \text{LnINF} + \beta_5 \text{LnGXP} + u \dots (3)$$

The ARDL model specification is given as follows.

$$\begin{aligned} \Delta UEM = \beta_0 + \sum_{i=1}^k \beta_{1i} \Delta NONX_{t-i} + \sum_{i=1}^k \beta_{2i} \Delta GDP_{t-i} + \sum_{i=1}^k \beta_{3i} \Delta EXCHR_{t-i} \\ + \sum_{i=1}^k \beta_{4i} \Delta INF_{t-i} + \sum_{i=1}^k \beta_{5i} \Delta GXP_{t-i} + \beta_1 NONX_{t-1} + \beta_2 GDP_{t-1} \\ + \beta_3 EXCHR_{t-1} + \beta_4 INF_{t-1} + \beta_5 GXP_{t-1} + U_i \dots \dots \dots (4) \end{aligned}$$

Where β_0 = is the intercept of the equation.

$\sum_{i=1}^k \beta_{1i} \Delta$ to $\sum_{i=1}^k \beta_{5i} \Delta$ = Is the summation of changes in Unemployment (UEM); Non-oil Export (NONX); Gross Domestic Product (GDP); Exchange Rate (EXCHR); Inflation (INF) and Government Expenditure (GXP) in the short run.

β_1 to β_5 measures the Unemployment (UEM); Non-oil Export (NONX); Gross Domestic Product (GDP); Exchange Rate (EXCHR); Inflation (INF) and Government Expenditure (GXP) in long run.

t-1 = is the time lag of changes in Unemployment (UEM); Non-oil Export (NONX); Gross Domestic Product (GDP); Exchange Rate (EXCHR); Inflation (INF) and Government Expenditure (GXP) in long run short.

3.3 A-priori Expectation

$\beta_1 > 0$ (A positive relationship is expected between UEM and NONX).

$\beta_2 > 0$ (A positive relationship is expected between UEM and GDP).

$\beta_3 > 0 <$ (A positive or negative relationship is expected between UEM and EXCHR).

$\beta_4 > 0$ (A negative relationship is expected between UEM and INF).

$\beta_5 < 0$ (A negative relationship is expected between UEM and GXP)

3.4 Estimating Techniques

The study will use both descriptive and inferential statistics. The descriptive statistics would involve the use of tables, graphs and charts while the inferential statistics would involve the use of appropriate econometric techniques

3.5 Measurement of Variables

Unemployment is measured by the annual average unemployment rate values provided in the CBN statistical bulletin. Non-oil export is measured as total non-oil export. Gross Domestic Product is measured using the national income equilibrium model. Inflation is measured using the Consumer Price Index (CPI) found in the National Bureau of Statistics. Government expenditure is measured as a total of government spending provided in the CBN statistical bulletin. Exchange rate is measured

3.6 Sources of Data

The major source of data for this work is secondary, and the data comprise of Unemployment rate, Aggregate Gross Domestic Product (GDP) used as a proxy for economic growth; Non-oil export and other macroeconomic variable (i.e. Exchange Rate, Inflation and Government Expenditure) that was considered alongside with these other variables. The above mentioned macroeconomic variables that are in bracket were used as control variables. However, all these data will be obtained from CBN statistical

bulletin 2018 edition, International Monetary Fund (IMF) and World Bank Indicators.

The implementation of the model will make use of macro-economic data covering the time between 1980 and 2017

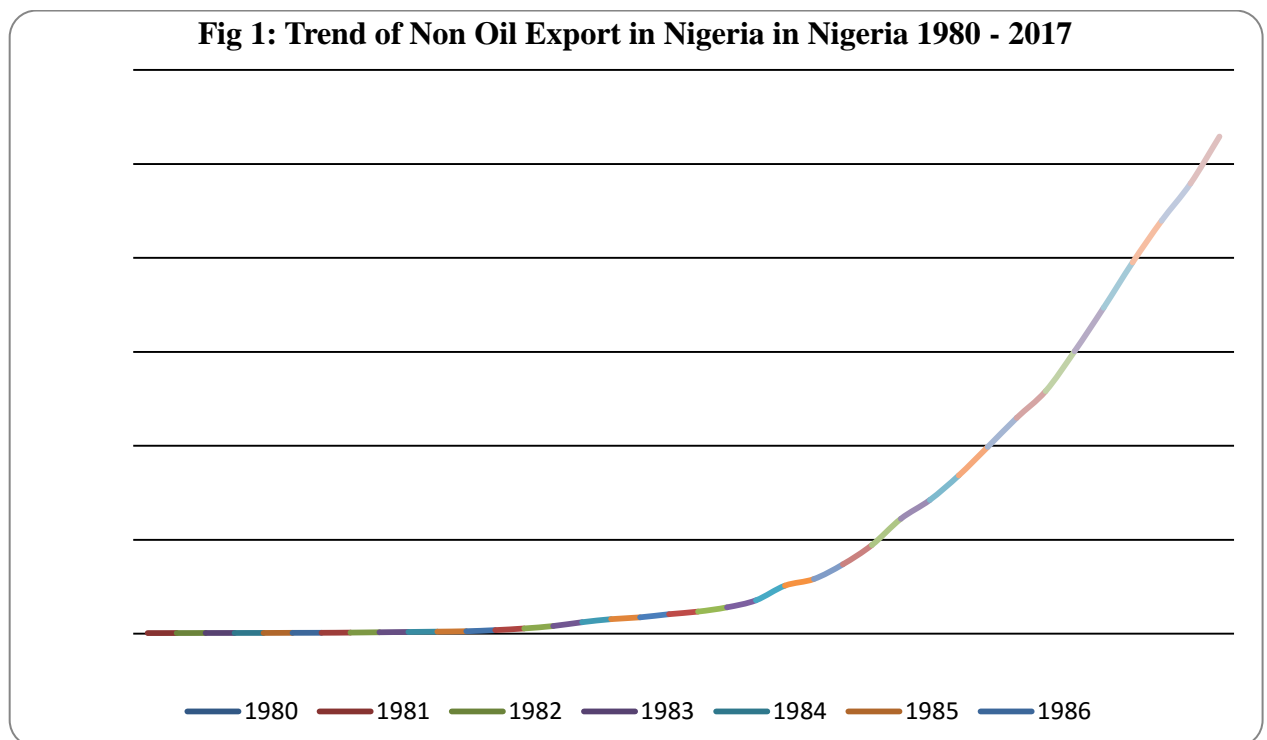
CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4.1 Trend Analysis of Non Oil Export and Unemployment Rate in Nigeria.

4.1.1 Trend Analysis of Non Oil Export in Nigeria 1981 to 2017

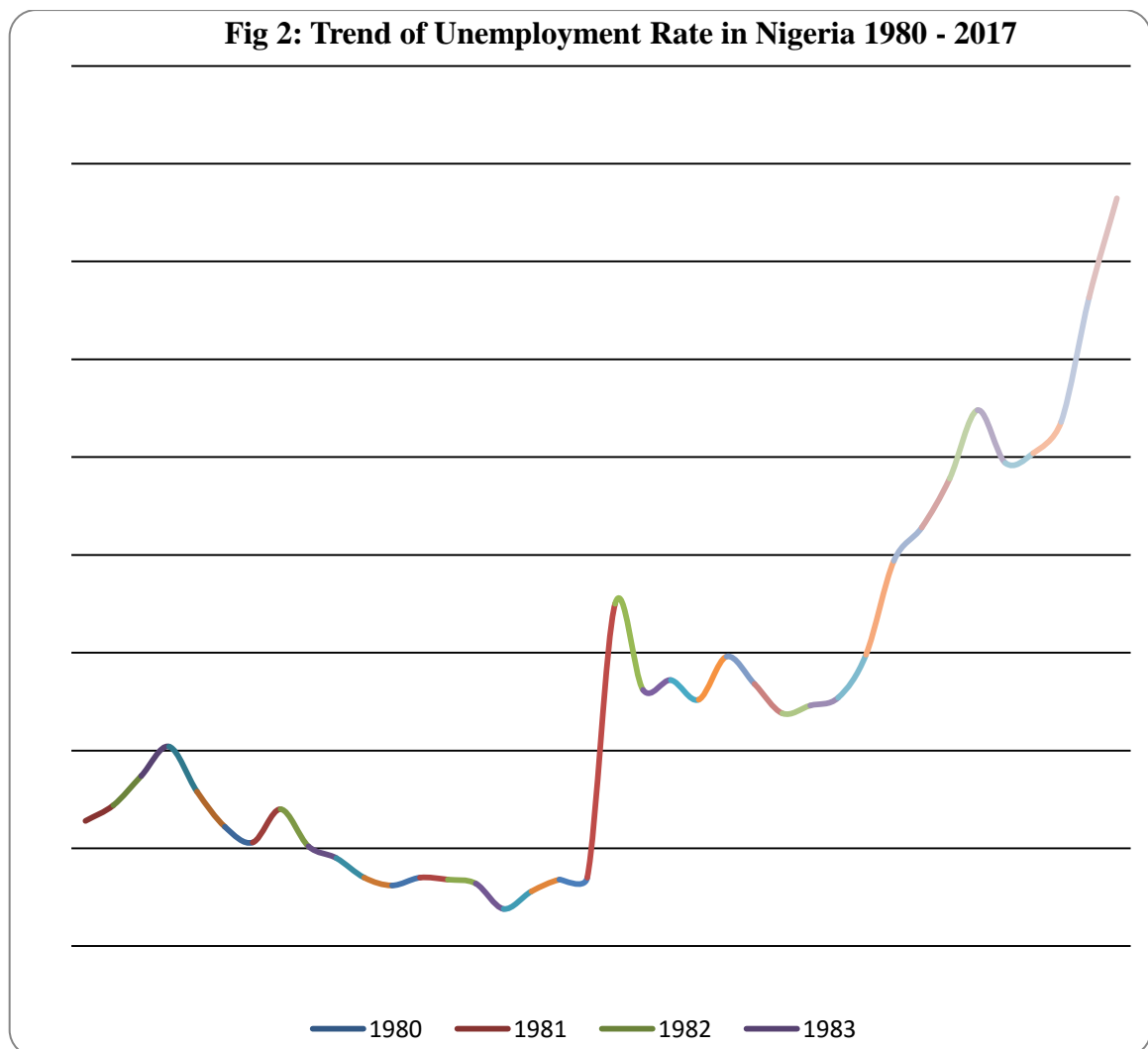
The non oil export sector in Nigeria includes all activities that are outside of the oil section and they include agriculture, manufacturing, wholesale and retail and the service sector. It is the export from these non oil sectors that constitute the non oil export. From figure one below, it is observed that the value of the non oil sector stood at ₦131.82m in 1980 and rose to ₦185.58m and ₦440.89m in 1985 and 1990 respectively. In 1995, the value of non oil export was ₦2,444.72m and rose to ₦5,612.63m in 2000. Non oil export rose further to ₦18,867.67 and ₦45,954.43 in 2005 and 2010 respectively. In 2015, the value of non oil export rose to ₦87,906.52 and peaked at ₦105,845.6 in 2017. An overview of the graph of the non oil export as depicted in figure 1, showed that the value of non oil export over the years have experienced a steady and upward increase.



Source: Author's computation, 2018.

4.1.2 Trend Analysis of Unemployment Rate in Nigeria

The trend of unemployment in Nigeria is depicted in figure 2 below. From the trend it is observed that the rate of unemployment is 6.4 per cent in 1980 and raised to 10.2 per cent in 1983 before declining to 7.0 per cent in 1987 and further to 3.5 per cent in 1990 and 1.9 per cent in 1995 respectively. In 1999, the rate of unemployment rose to 17.5 per cent but declined to 14.8 per cent in 2003 and further to 11.9 in 2005. In 2006, the rate of unemployment rose again to 12.7 per cent and to 21.4 per cent in 2010. It rose further to 27.4 per cent in 2012 and peaked at 38.23 per cent in 2017. A glance at the unemployment rate in Nigeria showed an unsteady increased in the number of unemployed people in Nigeria over the study period.



Source: Author's computation, 2018.

4.2 Analysis and Interpretation of Regression Estimate

4.2.1 Descriptive Statistics

From the descriptive statistics on table 1, it is noted that the average values of the unemployment rate (UEM), non-oil export (LNONX) and real gross domestic product (LRGDP) are 12.47, 8.24 and 13.27 respectively while the average values of exchange rate (EXCH), inflation rate (INF) and government expenditure (LGXP) are 80.62, 19.87 and 12.77 respectively. The standard deviation showed that exchange rate (EXCH) is the most volatile variable (80.43) while the real gross domestic product (LRGDP) is the least volatile variable (1.77). The skewness statistics showed that non-oil export and government expenditure are negatively skewed while the remaining variables (unemployment rate, real gross domestic product, exchange rate and inflation rate) were positively skewed. The Kurtosis statistics showed that non oil export (LNONX) and government expenditure (LGXP) were platykurtic, indicating that the distribution of the variables were flat relative to normal distribution while real gross domestic product (LRGDP), and inflation rate (INF) are leptokurtic indicating that the distributions are peaked relative to normal distribution. Also, the Kurtosis statistics showed that unemployment rate (UEM) and exchange rate (EXCH) is mesokurtic, indicating that the distribution of the variables is bell shaped and implying that the variable has normal distribution. The Jarque-Bera statistic rejected the null hypothesis of normal distribution for the real gross domestic product and inflation rate while the null hypothesis of normal distribution for unemployment rate, non oil export, exchange rate and government expenditure were accepted at the same critical value (that is five percent).

Table 1: Descriptive Analysis

Variables	UEM	LNONX	LRGDP	EXCH	INF	LGXP
Mean	12.473	8.241	13.274	80.623	19.870	12.771
Std. Dev.	9.391	2.315	1.773	80.427	17.793	2.255
Skewness	0.966	-0.094	1.955	0.746	1.560	-0.321
Kurtosis	3.121	1.559	6.107	2.893	4.223	1.645
Jarque-Bera	5.938	3.345	39.483	3.543	17.789	3.561
Probability	0.051	0.188	0.000	0.170	0.000	0.169
Observations	38	38	38	38	38	38

4.2.2 Unit Root Test

The unit root test was conducted using the Augmented Dickey Fuller test and the result presented on table 2. The unit root test showed that all the variables were integrated of order one, indicating that the variables were I(1) variables except inflation rate. Inflation rate was integrated of order zero, indicating that the variable is I(0) series. The mix in the order of co-integration indicates the need for co-integration test via the use of Johansen-Juselius bound co-integration technique.

Table 2: Unit Root Test

Augmented Dickey-Fuller (ADF) Test			
Variables	Level	After Differencing	Status
UEM	0.9266	-6.0645*	I(1)
NONX	-0.9542	-7.0397*	I(1)
RGDP	-0.3379	-6.5420*	I(1)
EXCH	2.3210	-3.3333**	I(1)
INF	-3.1850	-	I(0)
GXP	-0.8112	-7.2588*	I(1)

Source: Authors' Computation 2018 using E-views 9, 2018. Note: * and ** denote 1% and 5% critical values respectively.

4.2.3 Co-integration Estimate

Sequel to the mix in the result of the unit root tests presented in table 2 above, this study carries out the co-integration test using the Auto-Regressive Distributed Lag Bound Co-integration test. Pesaran, Shin and Smith (2001) provide two asymptotic critical values (lower and upper) bounds for testing the existence of co-integration when the regressors are purely I(0) or I(1). A lower value assumes the regressors are purely

I(0) while an upper value assumes the regressors are purely I(1). If the F-statistic falls outside the critical values, then a conclusive statement can be made regarding the nature of co-integration among the variables in the ARDL model, without a priori information on the order of integration of the independent variables. For instance, if the F-statistic is higher than the upper critical value, then the null hypothesis of no co-integration is rejected, suggesting the existence of co-integration among the variables. Conversely, if the F-statistic is lower than the lower critical value, then the null hypothesis of no co-integration cannot be rejected, suggesting the absence of co-integration among the variables. However, if the F-statistic falls between the upper and lower critical values, then the result is inconclusive.

Table 3. ARDL Bound Co-integration Test

Estimated Model	F-Statistics	
	1.9394	
Critical Values	Lower Bound	Upper Bound
1%	3.41	4.68
5%	2.62	3.79

Source: Authors' computation using e-views 9, 2018. Note: ** implies five percent significance level

From the co-integration result presented in table 3 above, it was observed that the value of the F-statistics for the estimating model which is 1.9394 is lower than the lower bound critical value at 5%, suggesting the absence of co-integration among the variables in the model, thus the study presented only the long run ARDL regression estimate.

Table 4: ARDL Regression Estimates on Unemployment and Non Oil Export in Nigeria.

Variables	Coefficients	Std. Error	t-Statistics	Prob.
C	0.6592	22.5965	0.0292	0.9774
LNONX	0.9998	3.7818	0.2644	0.7982
LRGDP	-1.9777	1.3904	-1.4225	0.1927
EXCH	0.0857	0.0358	2.3936	0.0436
INF	0.4833	0.1401	3.4490	0.0087
LGXP	2.4357	4.0897	0.5956	0.5679
R-squared	0.9231	Adjusted R-Squared		0.7463
F-Statistics (Prob.)	5.22(p<0.05)	Durbin-Watson Stat.		2.008

Source: Author's Computation using e-views 9, 2018.

4.2.4 Regression Estimates on Non Oil Export and Unemployment Rate in Nigeria.

The ARDL regression estimates presented on table 4 on the relationship between non oil export and unemployment rate in Nigeria showed that non oil export had insignificant impact on unemployment rate in Nigeria, indicating that the increase in non oil export has not impacted on the level of unemployment rate in Nigeria over the years. Similarly, it was observed that real gross domestic product (LRGDP) and government expenditure (LGXP) also had insignificant impact on unemployment rate in Nigeria while exchange rate and inflation rate had positive and significant effect on unemployment rate in Nigeria. The impact of exchange rate and inflation rate on unemployment rate in Nigeria indicate that a unit increase in exchange rate and inflation rate is expected to increase unemployment rate by 0.08 and 0.48 units respectively.

In addition to the above, the coefficient of multiple determination of the model (R-squared) showed that the explanatory variables jointly explained about 92 per cent of the variations in unemployment rate while the remaining 8 per cent of the variations in the unemployment rate is explained by variables not included in the model. The result of the coefficient of multiple determination showed that the model has a very good fit. Also, the result of the Durbin-Watson Stat of 2.008 showed that the estimate of the

model is free from the problem of serial auto-correlation and that the model estimate is appropriate and can be used for policy recommendation. Also, some diagnostic tests (such as normality and heteroscedastic ARCH tests) were carried out to ascertain the validity of the regression estimates. The result of the normality test on figure 3 showed that the probability value of the Jarque-Bera statistics is greater than 5%, indicating that the residuals from the estimates are normally distributed. The heteroskedasticity (ARCH test) also showed (see tables 5) the absence of serial correlation in the estimates, this is because the probability value is greater than 0.05. The results of the diagnostic tests showed the appropriateness of the regression estimates.

Figure 3: Normality Test

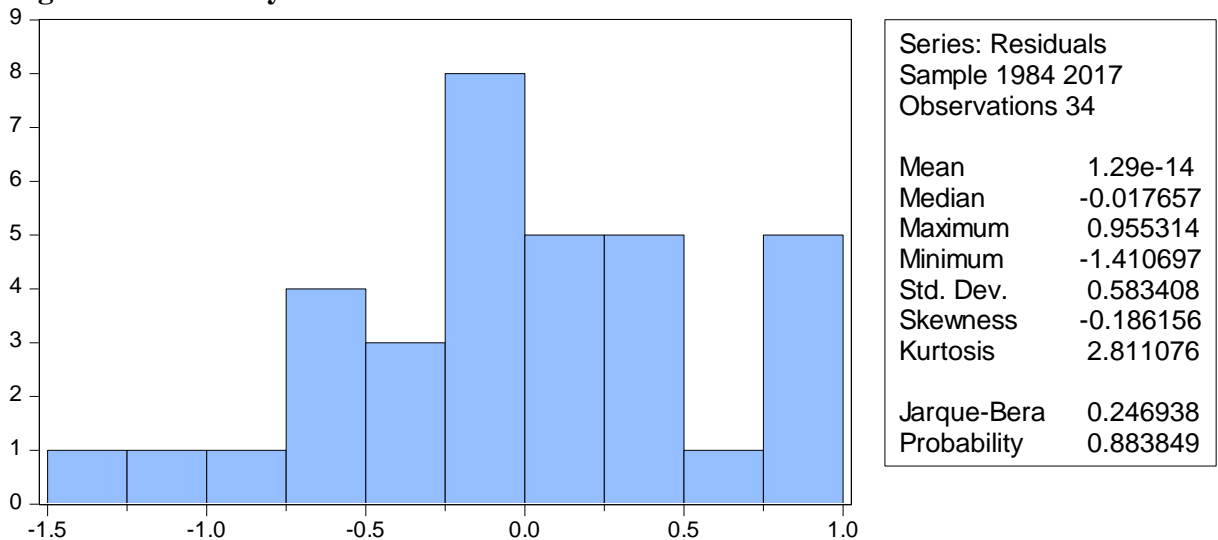


Table 5: Heteroskedasticity Test: ARCH

F-Statistics	0.0059	Prob. F(1,31)	0.9392
Obs*R-squared	0.0063	Prob. Chi-Square(1)	0.9368

Source: Authors' Computation 2018 using E-views 9, 2018. Note: * and ** denote 1% and 5% critical values respectively.

4.3 Discussion of Regression Estimates

The regression estimate presented on table 4 showed that non oil export has insignificant impact on unemployment rate in Nigeria over the years. The outcome of this results can be attributed the fact that over the years, the non oil sector has been

neglected for the oil sector which has adversely affect the performance of the non oil sector. The neglect has affected the performance of the non oil sector which includes the Manufacturing, Agricultural, Wholesale and Retail sectors of the economy. The decline in the performance of these sectors has contributed to the rising unemployment rate in the country. The positive impact of exchange rate and inflation rate on unemployment rate is attributed to the fact that rising exchange and inflation rates implies rising price level of commodities which reduce the volume of non oil export. The reduction in the volume of non oil export indicates decline in production and consequently rising unemployment rate resulting from retrenchment of workers owing to the decline in production.

CHAPTER FIVE

SUMMARY, CONCLUSION AND POLICY RECOMMENDATIONS

5.0 Introduction

This chapter presents the summary, conclusion and policy recommendations of the study which focused on the impact of non oil export on unemployment rate in Nigeria for the period 1981 to 2017. To address this study, chapter one provided the background to the study, statement of the problem leading to research questions. This was followed by the objectives of the study, scope of the study, justification of the study and organization of the study. Chapter two provided the literature review of the study which included the theoretical and empirical literatures on non oil export and unemployment rate. The empirical literature covered both foreign and local studies. Chapter three discussed the research methodology which includes: theoretical framework, model specification, theoretical expectation, estimating techniques, and measurement of variables and sources of data. Chapter four is the empirical analysis and interpretation which involves trend analysis and the regression estimates. From the analysis, the following were the main summary of findings of this study.

5.1 Summary of the Findings

- ii. The trend analysis showed that the volume of non oil export in Nigeria has been on the increase over the years.
- iii. The trend of unemployment rate in Nigeria showed a steady increase over the years.
- iv. The unit root result showed that all the variables were integrated of order one, that is, the variables were I(1) series with exception to inflation rate which is integrated of order one.

- v. The co-integration estimate showed the absence of long run relationship between non oil export and unemployment rate in the estimated model.
- vi. The regression estimate showed that non oil export had insignificant influence on unemployment rate in Nigeria.
- vii. The regression estimate also showed that exchange rate and inflation rate had positive and significant impact on unemployment rate in Nigeria.

5.2 Conclusion

The study examined the impact of non oil export on unemployment rate in Nigeria over the period 1981 to 2017. Based on the trend analysis, the study concluded that both non oil export and unemployment rate have been on the increase over the study period. Based on the regression estimates, the study concluded that non oil export has not contributed to reducing the rising level of unemployment rate in Nigeria.

5.3 Policy Recommendations

From the findings discussed above, the following recommendations were offered. First, there is the need for the government to put in place policies that would enhance the performance of the non oil sector such as the provision of mechanized equipments and improved seedlings for investors in the agricultural sector. The provision of soft loans and other production enhancing facilities (such as stable power supply, portable water, goods roads, accessible markets, industrial estates and free trade zones) for the growth of the manufacturing sector. There is also the need for the government to maintain stable and peaceful atmosphere for the growth of the tourist sectors. All the above would contribute to enhancing the performance of the non oil sector which would contribute immensely to reducing the unemployment rate in Nigeria. Also, there is the need to maintain stable exchange and inflation rates through appropriate monetary and fiscal policy. Such stability would promote investors confidence in the domestic economy

which would lead to increase in investment and in turn increase in productivity with it ultimate influencing in decreasing the rising rate of inflation in the country.

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