IMPLICATIONS OF NEGLECTING NON-OIL EXPORTS IN NIGERIA

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Abstract
Since the large scale discovery oil, the Nigerian economy has become monocultural, depending largely on oil for her revenue and source of foreign exchange earnings. The hitherto boosting agriculture sector, and the growing industrial sector, was relegated to the background. This study explored the performance of non-oil sectors, particularly agriculture and manufacturing sectors, in Nigeria from 1960 till date. The data obtained from Central Bank of Nigeria, national Bureau of Statistics and World Bank Data portal show that the contributions of agricultural and manufacturing sectors to Nigerian export revenue have not been encouraging since the oil glut of 1970s. We further discussed the socioeconomic implications of neglecting non-oil sector in Nigeria, and proffer possible solutions to salvage the economy from the present economic doldrums.

Keywords: Oil, Revenue, Mono-cultural, Non-oil Sector, Agriculture and Manufacturing

1. Introduction

Between 1960 and 1970, non oil sector, particularly agriculture, was the main stay of Nigerian economy, contributing significantly to the country's Gross Domestic Product (GDP) and foreign exchange earnings through excise and export duties. The country was known for her richness and abundance of natural resources and agricultural productivity for employment and source of revenue. According to Adeyemi and Abiodun (2013), agricultural produce like cocoa, rubber, and palm produce (palm oil and kernels) from southern Nigeria, and groundnuts and cotton from the northern were the major sources of foreign earnings to the country. The sector accounted for over 75% of employment and significantly contributed to government revenues through export taxes and Marketing Boards'surpluses.

Agriculture was the major contributor to Nigerian economy, while other sectors like mining, manufacturing, construction and construction, trade, services and industry also contributed, though minimally, to both GDP and means of foreign earning of the county. However, dominancy of agriculture was short-lived by the commercial sale of oil in 1958, and the subsequent oil boom of 1970s/1980s. The federal government of Nigeria generated a significant amount of money, but failed in attempts to diversify into other sectors of the economy. Through four development plans (from 1962 to 1985), government made attempts to build the industrial sector, but could not achieve much because of many socioeconomic and political problems bedeviling the country. Manufacturing subsector, for instance, contributed 6 to 7 per cent of GDP from 1960 to 1990, and subsequent decreasing value until the recent time. The poor performance of the manufacturing sector are largely due to over-dependence on foreign technology, machinery, spare parts and raw materials, foreign exchange bottlenecks and anti- industrial outlook of Structural Adjustment Programme implemented by the federal government in 1986 (Clara &Joan 2014).

After the oil boom of 1970s, there was fundamental shift in Nigerian economy, changing from the primary product, agrarian economy, to petroleum dominated economy. Agricultural exported became dominated by petroleum products, while the country retrogressed gradually into import dependent economy, importing all sorts of things like toothpick, food stuff, electronics, automobiles and spare parts. Between 1965 and 1967 fiscal year, oil accounted for about 0.1% of the real GDP. But a year later, (1967 to 1968), its contribution (to real GDP) jumped to 3.2 percent. It became a major contributor to export earnings in 1966, when it went up to 27 percent, the largest single export earners in that year. Its share of total export earnings increased systematically in 1970, when it accounted for about 35 percent of GDP, providing 80 percent of government revenue and over 96 percent of export earnings (Olurankinse & Bayo, 2012). This increasing domination of the economy by the oil marks the dis-connectivity between oil and non-oil sectors in Nigeria. Since the large scale discovery of oil, in addition to other problems like poor planning, lack of patriotism and unstable political and

economic climate, the country gradually degenerated to a mono-cultural, disoriented and foreign dependent economy.
Currently, Nigeria imports a wide range of items like Vehicles, aircraft and parts, Industrial Supplies, and surprisingly Food and Beverage from USA, UK and China, Belgium**,** India and Netherlands, exporting majorly petroleum and its allied products,Mineral Products and few agricultural. The enormous importation from other countries, with few items to export, leads to a recurrent deficit balance of payment, which the economy to be volatile and venerable to global economic fluctuations.The interest rate becomes external-determined because of huge and increasing domestic and foreign debts; while the exchange rate becomes highly volatile and decreasing because of mono-cultural nature of the economy and over-dependence on foreign goods. The palliative measures (monetary and fiscal policies) become ineffective, superfluous and sometimes, contradictory. The hitherto globally known giant of Africa retrogressed into highly import- dependent and habitual borrower from (According to Debt Management office, 2017) World Bank, ADB and recently, China. To regain her leading role in Africa and global economy, the country needs to identify the implications of neglecting non-oil sector and take necessary steps to bring non-oil sector on track to save the economy from incessant crises and economic doldrums.
This study is meant to discuss the implications of neglecting the non-oil sectors in Nigeria, focusing mainly on agricultural and manufacturing sectors. The introductory aspect is followed by the literature review; to showcase the impact of the non-oil sectors and its relationship with other sectors in some countries. The third part contains some stylized facts about manufacturing and agricultural sectors in Nigeria. The fourth section contains the socioeconomic implications of neglecting the non-oil sectors, while the final section contains some suggestions towards getting out of the current economic problems.

2. Review of Related Literature

Few studies have empirically investigated employment-output elasticity within and across countries. The available ones will be reviewed in this study. Behar (2015) estimated the elasticity of private-sector employment to non-oil GDP in the Gulf Cooperation Council (GCC) for GCC nationals and expatriates in Bahrain, Kuwait, Oman, and Saudi Arabia for the period of 1995 to 2014. Using Seemingly Unrelated Error Correction (SUREC) model he found that the employment response is lower for nationals with an estimated short-run elasticity of only 0.15 and a long-run response of 0.7 or less, while elasticity is almost unity for expatriates in the long run and 0.35 in the short run. He suggested that if market adjustment costs like hiring and firing rigidities, skills mismatches and reluctance to accept private sector job are reduced, private sector will only be able to absorb a small portion of nationals entering the labour force. This study has practical similarity with Nigeria economy, where a lot of bottlenecks and economic problems circumvent the participation of private sector in not only the agriculture and manufacturing sectors of the country, but all other sectors that are currently inefficiently and poorly dominated by the public sector. In similar vein, Basu and Das (2015) investigated the phenomenon of jobless growth in India and the US by computing employment elasticities between 1977 and 2010. From Analytical decompositions of both the level and change of aggregate employment elasticity in terms of sectoral elasticities, relative growth and employment shares, it was found that In India, the agricultural sector was the key determinant of both the level and change of aggregate elasticity till the early 2000s in India., while In USA, services sector is the most important determinant of the level of the elaticities. They observed that despite losing employment share over the decades, the manufacturing sector remains important for the direction of change in aggregate employment elasticity in the United State of America.

Also, Akinkugbe (2015) assessed the historical capacity of the different sectors of the Zambian economy to absorb labour between 1990 and 2008. Using OLS, the calculated the economic employment elasticity of different sectors of the economy within from 1990 to 2008, 2000-2005 and 2005-2008. The study found that employment elasticity of output varies across sectors and time, there was output growth 10.04 percent and a high employment elasticity of 30.63 from 1990 to 2008, output growth averaged 5.1 percent and employment elasticity of 12.51 in 2000 to 2005 and output growth of 5.9 percent and of employment growth elasticity of 1.9 percent. Manufacturing sector, wholesale and retail trade, construction, community, social and personal services, Agriculture were found to contribute significantly to overall economic growth. Mining and quarrying and transport and communications did not repeat the employment-creation they achieved over the period of 1990 to 2008. The finance, insurance and business services sector had relatively low employment elasticity within the period of analysis. He however stated that the high growth economic performance did not practically translated into significant poverty reduction; the sustained economic growth, access to wage income and higher employment opportunities. He therefore recommended that government and other stakeholders should focus attention on removing the impediments to the growth of the sectors with relatively high employment elasticity, especially manufacturing, agriculture, and services sectors.

Olakojo, Folawewo and Ogunkola (2015)assessed the employment generating abilities of seventeen sectors in Nigeria between 1995 and 2013, using ordinary least square model predicated on employment-output elasticity. They found Nigerian economy is characterized with low positive sectoral growth employment elasticity. This implies low employment intensity across sectors in Nigeria. The best sectors with employment generation potential are producers of government services, followed by agricultural, transport and manufacturing sectors. The higher significance of coefficient of producer of government services is an indication that government remains significant employer of labour in Nigeria, which further buttress low level of private sector's participation in employment generation. The significance of agriculture coefficient can be attributed to increasing awareness of the need for people to participate in agriculture, even though the employment generation and productivity from the sectors is by far lower than what is needed to sustain the current geometrical increase in population and army of unemployed graduates. The same can also be said about manufacturing sector, where there is massive importation of finished goods from abroad. The statistical significance of its coefficient is a reflection of infinitesimal increase in manufacturing capacity in the country. Olurankinse and Bayo (2012), Gideon, Georgina and Chukwudi (2013) and Edeh and Ukpere (2015) have also used regression approach to investigate the impact of non-oil exports on economic growth in Nigeria, they found that that there is significant relevant relationship between non oil exports and economic growth.

As a departure from the impact analysis through the use of regression, this study is aimed at investigating the contributions of agricultural and manufacturing sectors to Nigerian economy, discusses some socioeconomic problems emanating from the monocultural economy and suggests some possible solutions. Regression analysis seems inappropriate in sectoral economic analysis; it only shows the signs and magnitude of the impacts on the economy, which is already obvious, but place less emphasis on the trend of the sectors and other socioeconomic and political issues, which are more needed in sectoral analysis. This study intends to do this by using line graph and boxplot of the agricultural and manufacturing sectors, in additional to content analysis, to analyse the macroeconomic implications of neglecting non-oil sectors.

3. Some Stylized facts about Agriculture and Manufacturing Sectors in Nigeria.

The agricultural sector is expected to be the source of foods for the teeming population, provide raw material for the industrial sector and foreign earning from international market. Unfortunately, available data shows that the sector has not been faring well. As shown in table 1 below, the contribution of agriculture to Nigeria's GDP falls continuously with a minim al growth before it falls again. Between 1960 and 1970, agriculture, consisting of crops, poultry and fishery, contributed over 50 % to Nigeria's GDP, fell to 28.4% in 1971 to 180, an infinitesimal increase from 1981 to 2010, and further decrease to 22.5% in 2002 to 2016. This type of trend does not augur well for a country with abundant fertile land, untapped human and material resources and uncontrolled geometrically increasing population. This poor performance can be attributed to multifarious problems like subsistence farming, use of crude implements and poor farming systems, inadequate use of fertilizers and improved seeds, poor transportation system and financial problems facing farmers in Nigeria.

Table 1: Sectoral Contribution to GDP

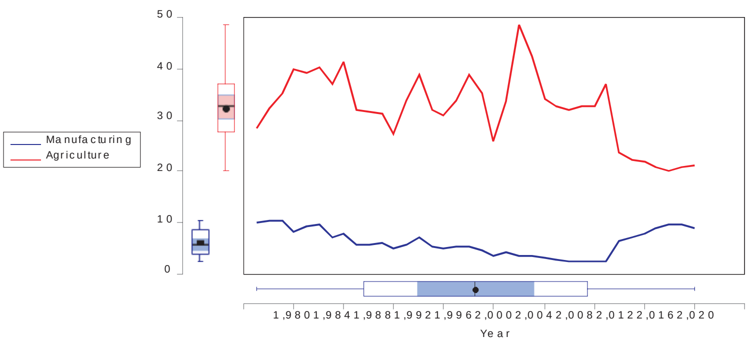
Sectors	**1960-1970**	**1971-1980**	**1981-1990**	**1991-2000**	**2001-2010**	**2002-2016**
Agriculture	55.8	28.4	32.3	34.2	40.6	21.03
Industry	11.3	29.1	41	38.6	24.4	9.86
Manufacturing	6.6	7.3	6.1	4.9	4.1	9.02
Building&construction	4.8	8.3	2.3	1.8	1.9	3.47
Trade	12.8	17.6	14.5	13.8	16.4	18.31
Services	15.3	16.5	9.8	11.5	16.8	38.29
Total Value added	**100**	**100**	**100**	**100**	**100**	**100**

Sources: National Bureau of Statistics for 1960 to 2010 data cited in S. L. Sanusi (2011), Growing Nigeria's real sector for employment and economic development: the role of central bank of Nigeria; 2002 to 2016 data: from Central Bank of Nigeria Statistical Bulletin (2016).

Available data shows that manufacturing subsector has not been making much contribution to Nigerian GDP, and little or none to her foreign earnings. The poor performance of Nigeria's manufacturing sector can be attributed to the neglect of the sector by colonial masters before independence in favour of export of agricultural primary products for their domestic industries. Even after independence, the pro-manufacturing posture of the four development plans were not successful due to a number of socioeconomic and political problems like massive stealing and misappropriation of funds, nepotism and corruption, outbreak of civil war and its attendant loss of lives and properties, poor planning and implementation and poor infrastructure and lack of political will (Gideon and Georgina 2013). As shown in the table 1 above, not much has been derived from Nigeria's manufacturing sector. Its contribution to GDP declined over time from 6.6 per cent in the period 1960-1970 to 4.1 per cent in the period 2001-2010, and a little increase to 9.5% in the period of 2002 to 2016. A wide range of policies have to be put in place to empower both sectors to contribute maximally to the national economy.

The information in the table 1 can further be explained by the box plot diagram, shown in figure two and line graph of growth rates of the two sectors presented below:

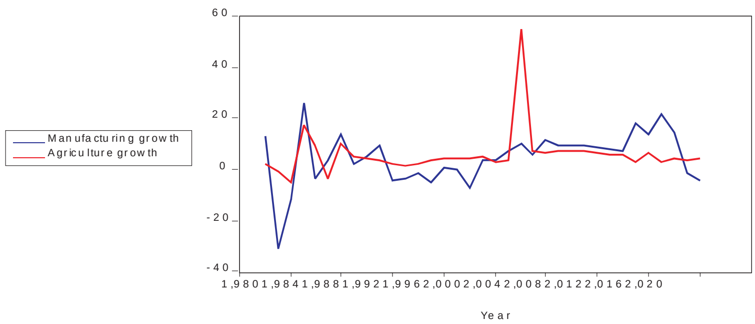
Figure2: Boxplot Representation of Percentage Contribution of Manufacturing and Agricultural Sectors to Gross Domestic Product



Data Source: World Bank Development Indicators

The figures shows that agriculture sectors fluctuates within the neighborhood of 30 to 40 percent, except in year 2002 to 2003 when it went up significantly, possibly because of large investment in to the sector from huge revenue from oil during the period, it hovers around within the median of 34 percent. Manufacturing sector, on the other hand, fluctuates within the neighborhood of 5 to 10 percent from 1981 to year 2016, with the median of 5 percent increase. The graph shows, at a glance, the behavior of the two sectors, how they hover a minimal increase from 1981 to 2016.

Figure 3: Boxplot Representation Growth Rates of Nigerian Manufacturing and Agricultural Sectors



Data Source: World Bank Development Indicators

The figures 3 above shows the growth rates of the two sectors. They both hovers around the growth rates of approximately 10 percent between 1981 to 2016, except in 1982 to 1983 when they both had a significant negative growth, that of the manufacturing falls significantly below zero, while that of the manufacturing sector was a little decreasing below zero. This was a period of global oil price shock, resulting in low budgetary allocation to the two sectors. Also in 2002 to 2003, there was a significant high jump to about 50 percent growth rate, before it later went down to usual minimal growth rate between years. The two graphs corroborates the figures in table one, showing the poor and negligible performances of the two sectors, manifested in their annual increase and growth rates.

1. Socioeconomic Implications of Neglecting Non-oil Sector in Nigeria

(a) Increasing unemploymentrate

According NBS (2017), the unemployment rates increased from 14.2 per cent in the fourth quarter of 2016 to 16.2 per cent in the second quarter of 2017, and 18.8 in the third quarter of 2017, a great departure from 1960 to 1970 when it was within a neighborhood of 5 to 6 per cent. This lays credence to the fact that the present monoculture nature of the economy cannot bring the country out of her woe of unemployment. Thousands of graduates are being turned out by the country's higher institutions, without meaningful job to be engaged in. Nigerian government needs to massive invest in massively non oil sectors of the economy to provide jobs for her teeming army of unemployed graduates.

(b) Social unrest

Due to the idleness, underemployment and unemployment of many youths in Nigeria, there is increasing rate of in social vices like thuggery, armed robbery, prostitution, kidnapping, insurgency and militancy. Nigerian government needs to urgently diversify her economy to reduce her unemployment rate, get youths gainfully employed and reduce the level of insecurity and social unrest in the country.

(c) Macroeconomic volatility

As a result of the monocultural nature of the Nigerian economy, the country's macroeconomic variables (interest rate, exchange rate and inflationary rate) have become highly volatile, venerable and dependent on foreign economy. Global macroeconomic have significant and lasting effect on the economy.

(d) Increasing debtprofile

Borrowing itself is not a curse, but becomes a problem when it becomes habitual, increasing and unproductive. All most all states in Nigeria borrow to finance their capital and recurrent expenditure, federal government has also become a perpetual borrower to finance her reoccurring deficit budget. Nigeria can have more than enough by diversifying her economy by investing heavily on agriculture, manufacturing and many other sectors of the economy.

(e) Economic backwardness and under-development

All the socioeconomic problems highlighted above are characteristics of economic backwardness and under-development. No economy can grow in the face of increasing unemployment and under-utilization of her human and material resources, a venerable and foreign dependent economy, a violentprone and unsecure atmosphere, and increasing and unproductive debt profile. Nigeria needs to get out of the woods by diversifying her economy to gain more revenue, increase employment opportunities for teeming youths and solve her numerous socioeconomic problems.

2. Conclusion andRecommendations

From the above graphical and explorative analyses, it is obvious that the neglect of non-oil sectors, especially agriculture and manufacturing sectors, of the Nigerian economy has resulted into a number of socioeconomic problems like increasing unemployment and crime rate, venerability and volatility of macroeconomic variables, increasing debt profile, and overall backward and under-developed economy. To correct all these problems, Nigeria government is advised to:

1. Diversify her economy by heavily investing in non-oil sectors of the economy, especially the agriculture and manufacturing sectors
2. Encourage youths to participate in agriculture through granting of soft loan, value re-orientation and leading by example
3. Mechanize and modernize the agricultural sector to attract youths into the sector
4. Strengthen and monitor various agencies that are established to finance small scale and large scale enterprises in the country
5. Provide good road network, regular power electricity supply and many other infrastructures that can stimulating business activities in the country
6. Reduce the incentives that are associated with political appointments to cultivate the culture of hardwork, dignity, self-employment and self-sufficiency in the youths.

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