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# Impact of International Trade on Economic Growth in Nigeria

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## Abstract
*This study investigates the impact of international trade on Nigeria's economic growth spanning from 1981 to 2019, using the Autoregressive Distributive lag (ARDL) approach to evaluate the connection between international trade and the economic growth of Nigeria. A long-run equilibrating link between all of the variables was verified by the ARDL bound test approach and the model contained three long-run vectors. Further, the model results of the short-run and long-run estimations indicate that import trade and foreign direct investment and the exchange rate have a negative and insignificant impact on economic growth in Nigeria; whilst export trade established a direct and significant impact on Nigeria's economic growth over the study period. The study revealed that international trade had an insignificant impact on Nigeria's economic growth during the study period under review. The study, suggests that the government should encourage the export of goods and services while discouraging imports by granting subsidies and tax concessions to local producers. Furthermore, FDI should be enhanced by dealing with the instability of the polity (unrest, Boko haram, kidnapping etc.) by running an inclusive government that accommodates our individualities and realities while making conscious efforts in providing friendly foreign trade policies that would enhance more export and curtail import which is now a burden to the Nigerian economy. Lastly, a viable exchange rate regime should be put in place to achieve a double-digit exchange rate for our currency, all to expand and energize the country's international trade which contributes to the growth of the economy.*

**Keywords: Economic Growth, Import, Export**
**JEL Classification Codes: B22, F19, F13**

## 1. Introduction

No country can exist in isolation, as evidenced by the nature of the relationships that exist among the various nations of the world. This suggests that the degree of integration with other economies around the world determines the growth and development of any economy (Yusuff, Adekanye & Babalola, 2020). In light of this, trade's importance in fostering global growth cannot be overstated. Trade is possible both locally and internationally. The exchange of goods and services among nations is referred to as international trade. International trade coordinates socioeconomic success and provides opportunities for less developed countries; it is concerned with the interaction between nations in an economic and financial sense. (Adeleye, Adeteye & Adewuyi, 2015). However, its contribution to economic growth can be influenced by several factors such as exchange rate and governance (Dankumo *et al.*, 2018; Dankumo *et al.*, 2020).

According to Mike and Okojie (2012), Nigeria has an open economy, with a sizable share of its total output coming from overseas exchanges. From 2015 to 2017, the total amount of trade has, however, significantly decreased. This may not be unrelated to the decline in global demand for crude oil. The decrease in crude oil demand worldwide over the 2015–2017 era may have led to weaker export trade, however with little to no substantial influence on imports. Crude oil is the principal export of the economy. The variations in the overall volume of trade represent how the policy space, influenced by many economic, social institutional and political elements, impacts the incorporation of Nigeria's economy via trade. (Omoke & Opuala–Charles, 2021).

Several trade theorists, including Adam Smith, David Ricardo, Ali Hechscher, Bethel Ohlin, and others, think that countries trade in areas where they possess absolute, comparative cost, and/or factor endowment advantages to stimulate economic growth. (Appleyard & Field, 1998). From a theoretical standpoint, however, certain trade economists, including Hans Singer, Raul Prebisch and Myrdal, hold opposing views, they assert that while global trade promotes economic growth in wealthy nations, it results in permanent underdevelopment in underdeveloped nations (Ezindu *et al.*, 2020). However, recent empirical study evidence is not conclusive. Many studies have found a significant direct link between economic growth and trade openness (Keho & Wang, 2017; Sakyi *et al.*, 2015; Shahbaz, 2012), but in other research, there has been no link and some studies even found an inverse interaction (Malefane & Odhiambo, 2019).

According to statistical data, the Nigerian economy saw negative growth rates in the years 1982, 1983, 1984, 1991, 2016, and 2020, with

respective growth rates of -1.79%, -7.58%, and -0.51%, -0.55%, -1.58%, and -6.10% (Central Bank of Nigeria [CBN], 2017; National Bureau of Statistics [NBS], 2020). Therefore, can we thus blame the slow growth of the Nigerian economy on its poor performance in international trade? given that it is an open economy that depends on the earnings from petroleum exports, which accounts for a sizeable share of her total output? Given this background, this study seeks to assess the impact of international trade on Nigeria's economic growth.

## 2. Review of Related Literature

### 2.1 Conceptual Issues

#### 2.1.1 Concept of International Trade

Abebefe (1995) averred that trade consists of numerous exchanges of products carried out through market interactions. If a transaction occurs outside the jurisdiction of a sovereign state, it is regarded as international. Accordingly, Nordhaus (2002) posited that the system in which countries import and export products, capital and services is known as international trade. They distinguish between domestic and global trade based on three factors: increased possibilities for trade, sovereign nations, and exchange rates, noting that these differences have significant practical and economic implications. The drivers driving foreign trade are that trade encourages specialization and that specialization boosts production. (Ingram & Dunn, 1993; Nordhaus, 2002) According to Mannur (1995), the exchange of products and services between citizens of several countries is referred to as international trade. As a result, it serves as a tool for bridging global service flows, commodities trading, and factor fluctuations. As was previously mentioned, foreign trade is founded on the reality that no nation can supply all of the commodities and services that its population need to survive on its own because of resource limitations and differences.

Foreign trade plays a critical part in economic expansion. The classical and neo-classical economists saw the importance of foreign trade as a country's process of development and as a source of growth. Through globalization and outside trade, the nations of the world have become increasingly interconnected in recent years. According to Afolabi, Danladi and Azeez (2017), the most significant and enduring aspect of a country's international economic connections is its foreign trade.

#### 2.1.2 Concept of Economic Growth

Lipsey (1986) averred that a long-term rising trend in a nation's total output is known as economic growth. This suggests that the Gross Domestic Product (GDP) will continue to grow steadily for a long period. Gross

domestic product (GDP), a metric of the economy's total output of goods and services, is the term most frequently used to describe economic growth. Just like all other economic variables, the GDP must be stated in real terms if it is to be used as a gauge of economic growth. To put it another way, it needs to be rebased, as Nigeria did in 2015, to consider the impacts of inflation and give accurate measures of growth over time. Increases in the quantity of commodities and services over time are used to quantify economic growth.

## 2.2 Empirical Review

There have been several attempts to experimentally assess the link between global trade and economic growth, and the results of this research have been conflicting.

Omoke and Opuala–Charles (2021) by taking institutional quality into account, explored the link between trade openness and Nigeria's economic growth. Total trade, import trade, and export trade are the three indices of trade openness considered in the study, which spans the years 1984 to 2017. ARDL bounds testing technique was deployed to assess cointegration between the variables. According to the estimations, import trade has a significant negative influence on economic growth whilst export trade has a significant positive impact on economic growth. The results also show that the negative long-term effects of import trade on economic growth increase when institutional quality in Nigeria becomes less pronounced. This study emphasizes the necessity of raising the level of governance in the nation. The benefits of trade openness can be directed toward initiatives that promote economic growth with the support of strong institutions and good governance.

Yusuff, Adekanye and Babalola (2020) examined how foreign trade impacts the expansion of the Nigerian economy from 1986 to 2017. The Ordinary Least Square (OLS) approach was deployed in the study to assess how trade openness impacts Nigeria's economic growth. The results indicated that, during the study period, there is a negative connection between foreign trade and GDP per capita. The study recommended that government should implement a crucial trade-oriented policy to stimulate economic growth through high exports and amass more foreign revenues to increase production growth in the nation.

Agbo, Agu and Eze (2018), with the express intent of identifying the effects of import and export trade on the Nigerian economy, their study assessed how international trade had an impact on the growth of the nation's economy. They applied multiple regression analysis to analyze the relationship. The study's findings demonstrated the importance of export

trade to Nigeria's economic expansion. The study showed also that the import trade had no significant effects on the expansion of the Nigerian economy. The study advised that deliberate efforts be made by the government to adjust the various macroeconomic factors in order to create an enabling environment for stimulating international trade by increasing export and minimizing import.

Afolabi, Danladi and Azeez (2017) examined the key elements driving economic growth via international trade, the study analyzed how foreign trade affected economic expansion in Nigeria. The degree of the significant link between the rate of economic growth and foreign trade was tested with the aid of the Ordinary Least Square (OLS) technique. The outcome indicated that government spending, interest rates, imports, and exports are all favourably significant factors in the growth of the Nigerian economy, however, the exchange rate and foreign direct investment are adversely insignificant. The study opined that the Nigerian government should place more focus on agricultural specialization in order to diversify her production and export base and allow the nation to profit from all the benefits of trade, including economic growth.

Abiodun (2017) examined the link between international trade and economic growth. The study looked at how international trade contributed to Nigeria's economic growth. A uni-directional relationship was found for several of the variables, and to evaluate the relationship between the dependent and independent variables, Granger Causality was also applied. The findings show that economic expansion and foreign trade are generally related positively. The study suggests that government should develop an environment that is favorable to commerce and foreign direct investment in light of the findings. Additionally, initiatives should focus on enhancing spending and guaranteeing exchange rate stability.

Arodoye and Iyoha (2014) looked at the relationship between international trade and economic growth in Nigeria and adopted quarterly time-series data from 1981Q1 to 2010Q4. A vector autoregressive model is used to completely take into account feedback. The findings indicate a consistent, long-term link between international trade and economic expansion. The variance decomposition results reveal that Nigeria's economic growth variation is mostly caused by internal shocks and innovations in overseas trade. According to the study, exchange rate policies that support export growth and are compatible with Nigeria's status as a small open economy should be promoted.

Erarwoke and Eshanake (2012) used the growth granger causality method to study foreign direct investment granger and Nigerian growth. They concluded that growth (GDP) and FDI had a strong positive

connection. However, they discovered that FDI did not directly affect GDP. The study suggests that government should always create an environment that is favorable for foreign investment in order to boost economic growth in Nigeria.

## 3. Methodology

The experimental approach will be used to examine how global trade has affected economic growth in Nigeria. Being a study that seeks to look into the type of connection between economic growth and international trade quantities, the experimental design comes in handy and is more powerful in such kind of study.

Annual time series data from secondary sources of information covering the years 1981 to 2019 were used in this investigation. Data on the real gross domestic product (RGDP) was extracted from the Central Bank of Nigeria (CBN), Statistical Bulletin, while data on import trade, export trade, foreign direct investment, and exchange rates was obtained from World Development Indicators.

The co-integration method known as Autoregressive Distributive Lag (ARDL) which was created by Pesaran and Shin (1999) and Pesaran, Shin and Smith (2001), was adopted in this study. Researchers employ the ARDL estimator owing to its numerous benefits, including the fact that all the data series under consideration do not need to have the same order of integrations, regardless of whether the regressors have an I(0) or I(1) order of cointegration. Pesaran and Shin (1999) averred that in the event of a small sample and contrast to the co-integration method used by Johansen and Juselius, ARDL estimators yield the proper parameters, and coefficients from the ARDL estimations are extremely consistent in smaller sample sizes. As a result, in this instance, when we have a data series with 39 yearly observations, this is more pertinent. Likewise, because the ARDL model lacks residual correlation, endogeneity poses less of a challenge. The ARDL technique is capable of distinguishing between dependent and independent variables, and the estimate is still feasible even when the variables that explain the result are endogenous, as demonstrated by Pesaran and Shin (1999); (Pesaran & Pesaran, 1997; Pesaran *et al.*, 2001). When evaluating the effect of foreign trade on Nigeria's economic growth, this is an essential subject matter.

### 3.1 Model Specification

This study builds on Feder (1982), which examined how export sector performance affected economic growth, and Solow (1957), which deployed the function of aggregate production as a starting point to analyze

how international trade affects economic growth in Nigeria. These models were modified and specified as follows:

$$RGDP = f\ (IMPT, EXPT, FDI, EXR) \quad (1)$$

Where:

RGDP is the Real Gross Domestic Product; RGDP is used as a stand-in for Nigeria's economic growth. IMPT is import trade, EXPT is export trade, FDI is a foreign direct investment while EXR is the cost or rate at which one currency is valued against another. IMPT, EXPT, FDI and EXR represent the international trade of Nigeria. The econometrics estimable equation is specified thus:

$$RGDP_t = \beta_0 + \beta_1 IMPT_t + \beta_2 EXPT_t + \beta_3 FDI_t + \beta_4 EXR_t + \mu_t \quad (2)$$

The estimated variable coefficients of the model are $\beta_i\, i$ =1, 2, 3 and 4. The white noise process is represented by the error term $\mu_t$ . On apriori ground $\beta_1$, $\beta_4$, are anticipated to be negative ($\beta_1$, $\beta_4 < 0$), $\beta_2$ $\beta_3$ are anticipated to be positive ($\beta_2$, $\beta_3 > 0$).

Pesaran *et al.,* (2001) model of Autoregressive Distributed Lag (ARDL) is as follows for equation (2):

$$\Delta \ln RGDP_t = \alpha_0 + \sum_{i=1}^{\rho} \alpha_1\, \Delta \ln RGDP_{t-1} + \sum_{i=1}^{\rho} \alpha_2\, \Delta \ln IMPT_{t-1} + \sum_{i=1}^{\rho} \alpha_3\, \Delta \ln EXPT_{t-1} + \sum_{i=1}^{\rho} \alpha_4\, \Delta \ln FDI_{t-1} + \sum_{i=1}^{\rho} \alpha_5\, \Delta \ln EXR_{t-1} + \lambda_1 \ln RGDP_{t-1} + \lambda_2 \ln IMPT_{t-1} + \lambda_3 \ln EXPT_{t-1} + \lambda_4 \ln FDI_{t-1} + \lambda_5 \ln EXR_{t-1} + \varepsilon_t \quad (3)$$

The range of values from λ1 to λ5 on the right-hand side shows how the variables are related over the long term, whereas the range of values from α1 to α5 with the summing signs shows how the variables change over the short term. $\alpha_0$ represents the drift constant and $\mu_t$ is the disturbance term when considering the other hand of the equation. $H_0$: $\lambda_1 = \lambda_2 = \lambda_3 = \lambda_4 = \lambda_5 = 0$ represents the null hypothesis in equation 3. This suggests that long-term relationships are therefore nonexistent. $H_1$: $\lambda_1 \neq 0$, $\lambda_2 \neq 0$, $\lambda_3 \neq 0$, $\lambda_4 \neq \lambda_5 \neq 0$ represents the alternative hypothesis. This study uses the critical values of a smaller number of samples derived from Narayan (2005) for bound testing to prevent size bias. If the calculated F-value is greater than the upper critical value, regardless of whether the variable is I(0) or I(1), the null hypothesis of no co-integration will be rejected. The error correction model and short-run dynamics are modelled below.

$$\Delta \ln RGDP_i = \beta_0 + \sum_{i=1}^{\rho} \delta_i\, \Delta \ln RGDP_{t-1} + \sum_{i=1}^{\rho} \emptyset_i\, \Delta \ln IMPT_{t-1} + \sum_{i=1}^{\rho} \omega_i\, \Delta \ln EXPT_{t-1} + \sum_{i=1}^{\rho} \lambda_i\, \Delta \ln FDI_{t-1} + \sum_{i=1}^{\rho} \lambda_i\, \Delta \ln EXR_{t-1} + \alpha ECM_{t-1} + U_t \quad (4)$$

Following the model's short-run aberration, the ECM assesses how quickly equilibrium returns in the long run (Onisanwa, Shido-Ikwu &

Mercy, 2018). In the long term, the system can only reach equilibrium, according to Narayan (2005), if the error correction model's coefficient is negative and smaller than zero.

To make sure the model fits the data well after the diagnosis, post-diagnostic tests are run. These tests look at the selected model's serial correlation and normalcy. Additionally, Pesaran and Pesaran (1997) advise applying Brown, Durbin and Ewans (1975) stability test to determine the stability of the regression coefficient. If the CUSUM statistics plots remain within the critical bounds of a 5% level of significance, the null hypothesis that all stable coefficients in the given regression are stable cannot be rejected.

## 4. Results and Discussion

Table 1 showed the unit root results for the model's variables. This is because stationarity analysis is necessary to draw inferences from time series analysis results. As a result, ADF and PP unit root tests were used to thoroughly assess the time series' attributes. Before running the unit root tests, the real gross domestic product was transformed into a natural logarithm.

**Table 1: Unit Root Test results**

| Variables | ADF test | | | | PP test | | | |
|---|---|---|---|---|---|---|---|---|
| | Intercept | | Intercept with trend | | Intercept | | Intercept with trend | |
| | I(0) | I(1) | I(0) | I(1) | I(0) | I(1) | I(0) | I(1) |
| **LRGDP** | -1.9901 | -6.1019*** | -1.8877 | -6.0704*** | -2.0303 | -6.1038*** | -1.9327 | -6.0802*** |
| **IMPT** | -2.2891 | -7.6392*** | -2.9810 | -7.5294*** | -2.1661 | -15.857*** | -2.9828 | -15.287*** |
| **EXPT** | -2.7435* | -8.2321*** | -2.6218 | -5.4916*** | -2.7435* | -9.1707*** | -2.4742 | -15.388*** |
| **FDI** | -3.9333*** | -8.0198*** | -3.8511** | -7.9730*** | -3.8586** | -13.982** | -3.7635** | -17.988*** |
| **EXR** | 1.4000 | -4.2576*** | -2.0797 | -4.5045** | 1.3487 | -4.1576*** | -1.5110 | -4.2484*** |

Note: *, ** & *** indicates 10%, 5%, or 1% significance level respectively. The results of the ADF and PP tests are the t-statistics used to test the null hypothesis that the series has a unit root.
Source: Author's calculation employing Eviews 10

According to the ADF and PP results, every variable other than Export Trade (EXPT) and Foreign Direct Investment (FDI) were discovered to be non-stationary when evaluating intercept without trend at level; at 10% and 1% levels of significance, respectively, it was discovered that EXPT and FDI remained stationary. However, the log of Real Gross Domestic Product (LRGDP), Import Trade (IMPT), and Export Trade (EXPT), When considering intercept without trend, after adjusting

for the first difference, it could be seen that Foreign Direct Investment (FDI) and Exchange Rate (EXR) were stationary at a 1% level of significance.

Accordingly, every variable other than FDI was discovered not to be stationary at a level in ADF and PP tests when taking intercept with trend into account; at a 5% level of significance, FDI was discovered to be stationary. Meanwhile, following the adjustment to the first difference; LRGDP, IMPT, EXPT, FDI and EXR became stationary at a 1% level of significance respectively.

### 4.1 ARDL Bounds Co-integration Test

Co-integration between the series is established if the resultant F-statistic surpasses the upper critical values at any common levels of significance. Nevertheless, if the value of the F- statistic is discovered to be smaller than the lower critical bound value, the long-run relationship is not present. Additionally, utilizing the ARDL bound co-integration approach, If the projected F-statistic value lies between the lower and higher bounds of the range, the long-run relationships are not evident.

**Table 2: Results of the ARDL Bound Co-integration Test**

| Variables (Vectors) | F-Statistics | Significance Level | Critical Values I(0) | I(1) |
|---|---|---|---|---|
| LRGDP | 8.0781*** | 10% | 2.66 | 3.838 |
| IMPT | 4.3342* | 5% | 3.202 | 4.544 |
| EXPT | 3.400 | 1% | 4.428 | 6.25 |
| FDI | 3.9919* | | | |
| EXR | 0.5937 | | | |

Note: *, ** & *** means significance levels at 10%, 5% and 1% respectively. Due to the study's short sample size, the case study III of Narayan (2005) for T = 30 is a basis for the critical values.
Source: Author's calculation employing Eviews 10

Three distinct co-integrating vectors are present in the model, as shown in Table 2. When LRGDP was taken into account as an explanatory variable, co-integration was discovered at a 1% level of significance. Additionally, co-integration was found at a 10% level of significance when FDI and IMPT were utilized as dependent variables. We can therefore conclude that the link between import trade, export trade, foreign direct investment, exchange rate, and Nigeria’s economic growth is one of long-term equilibration.

## 4.2 Results of Short Run Estimate

Despite having different sizes, the short-run coefficients' signs are nearly identical to what was found during long-run estimation. This result suggests that the variables of interest have a greater influence on Nigeria's economic growth in the long run compare to the short run.

**Table 3: Model Result for ARDL Short Run Dynamics and Error Correction**

| Variable | Coefficient | Std. Error | t-statistic | Prob. |
|---|---|---|---|---|
| C | 0.0186 | 0.0410 | 0.4555 | 0.6520 |
| D(LRGDP) (-1) | 0.8411 | 0.4139 | 2.0321 | 0.0511 |
| D(IMPT) (-1) | -0.0123 | 0.0097 | -1.2743 | 0.2123 |
| D(EXPT) (-1) | 0.0133 | 0.0063 | 2.1073 | 0.0436 |
| D(FDI) (-1) | -0.0106 | 0.0281 | -0.3775 | 0.7084 |
| D(EXR) (-1) | -0.0021 | 0.0021 | -1.0176 | 0.3170 |
| ECM(-1) | -0.9605 | 0.4497 | -2.1360 | 0.0410 |

Source: Author's calculation employing Eviews 10

Error Correction Model (ECM) coefficient determination is the most significant result of the short-run dynamics. The coefficient of ECMt-1 depicts how quickly the long-run equilibrium is restored following a short-run shock. This leads to the conclusion that the distortion which developed during a short run can return to equilibria in the long run at a velocity of 96% within a year. The model will return to equilibrium at a pace of 96% over the course of a year, according to the model's ECT value of -0.960. As a result, the ECM coefficient's negative nature and significance support the model's predictions about the long-term relationship between economic growth and its drivers.

## 4.3 Results of Long Run Estimate

Table 3 displays the estimated model's long-run output. Import, export, foreign direct investment, exchange rate, and real gross domestic product are the relevant variables.

**Table 4: Model Result for ARDL Long Run Estimates**

| Variable | Coefficient | Std. Error | t-statistic | Prob. |
|---|---|---|---|---|
| C | 3.5554 | 1.8570 | 1.9145 | 0.0645 |
| LRGDP (-1) | 0.7844 | 0.1135 | 6.9115 | 0.0000 |
| IMPT (-1) | -0.0086 | 0.0105 | -0.8243 | 0.4158 |
| EXPT (-1) | 0.0117 | 0.0066 | 1.7750 | 0.0854 |
| FDI (-1) | -0.0215 | 0.0329 | -0.6554 | 0.5169 |
| EXR | -1.7300 | 0.0004 | -0.0376 | 0.9702 |

Source: Author's calculation employing E-views 10

The long-run relationships between the study's variables and Nigeria's economic growth are shown by the ARDL long-run results in Table 4. The result reveals that the coefficient of Import Trade (IMPT) is negatively signed and statistically insignificant in influencing economic activities in Nigeria. The coefficient's sign conformed to the a priori expectation posed by the study. By implication, this result shows that Nigeria is an import-dependent nation that imports more than it exports. It indicates that a percentage increase in imports will cause Nigeria's economic growth to slow down by 0.8 percentage points. The result conforms to the findings of Omoke and Opuala–Charles (2021) and Agbo, Agu and Eze (2018) who discovered a poor and insignificant link between import trade and Nigerian economic growth.

Additionally, it was discovered that the export trade coefficient (EXPT) has a statistically significant positive sign and impacts Nigeria's economic growth. This shows that export trade is an important factor to be considered when describing Nigeria's level of economic activity. In terms of magnitude, it indicates that a 1% rise in export trade would result in a 2% boost in Nigeria's economic growth. This finding conforms with the work of Omoke and Opuala–Charles (2021) revealed a positive and significant link between export trade and Nigeria's economic growth.

Furthermore, the coefficient of Foreign Direct Investment (FDI) was observed to be negative and statistically insignificant. The conclusion of this for explaining Nigeria's level of economic growth is that there is not enough foreign investment in the country's economy to result in real economic growth. Youth unrest, oil theft or bunkering, and an environment unfavourable to effective investment (such as Boko Haram, Militant, Herdsmen, and Kidnappers among others) are a few variables that could be to blame for this. This outcome is consistent with the findings of Eravwoke and Eshenake (2012), who discovered that foreign direct investment does not necessarily lead to growth in Nigeria, particularly when there is a problem with the country's external image.

The exchange rate was discovered to be negative and statistically insignificant in impacting Nigeria's economic growth. This suggests that a rise in the exchange rate will cause Nigeria's economic activity to decline. The coefficient's magnitude reveals that a percentage point increase in the exchange rate would result in a 1.7% contraction of Nigeria's economic activity. The findings of Afolabi *et al.,* (2017) are supported by this result which determined that the exchange rate had an insignificant negative impact on Nigeria's economic growth.

## 4.4 Diagnostic Analysis

This study also looked at the stability of the estimates' coefficients utilizing Brown *et al.*, (1975) recursive residuals as well as the chi-square and Lagrange Multiplier (LM) tests. At the 5% level of significance, none of the test statistics for each null hypothesis could be rejected. Therefore, serial correlation and heteroscedasticity are absent. As a result, the diagnostic test's findings show that serial correlation and heteroscedasticity issues are not related to the calculated model's coefficients.

**Table 5: Diagnostic Tests**

| Test Statistics | Probability Value |
|---|---|
| $\chi^2$(Serial correlation LM test) | 0.2163 |
| Heteroscedasticity | 0.1282 |

Source: Author's calculation employing Eviews 10

A cumulative sum of recursive residuals (CUSUM) was used in the study's final step to assess the stability of the predicted coefficients. The obtained results imply that the coefficients have remained constant throughout the study period. This is supported by the fact that all of the series are inside the critical boundary at a 5% level of significance as demonstrated in Figure 1. The coefficients can thus be trusted to explain Nigeria's economic growth since they are stable, consistent, and dependable.

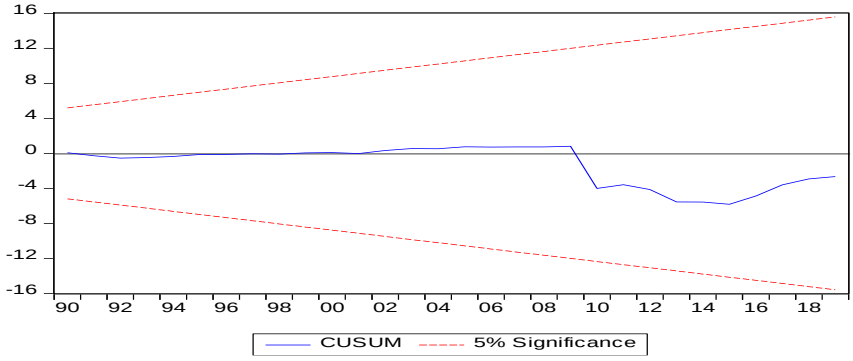


**Figure 1: Cumulative Sum of Recursive Residual (CUSUM)**
Source: Author's calculation employing E-views 10

## 5. Conclusion and Recommendations

International trade is one of the core determinants of economic growth, especially in developing countries like Nigeria that is endowed with abundant resources – human and natural. But whenever export is less than import, the impact always becomes disastrous and negative to the growth of

the economy. This study found that the long-run and short-run influence of international trade is insufficient to cause the economy to grow. Also, the study notes that possible causes for this situation include: dependence on oil and negligence of agriculture, poor exchange rate regime, and unfavourable conditions for profitable investment (political instability) posed by the activities of Boko Haram, bandits, militant, herdsmen and kidnappers and so on. Furthermore, the study posits that international trade had no significant impact on Nigeria's economic growth during the period under review.

Therefore, based on the findings of this study, the government should encourage the export of goods and services while discouraging imports by granting subsidies and tax concessions to local producers. Also, FDI should be enhanced by dealing with the instability of the polity (unrest, Boko haram, kidnapping and so on) by running an inclusive government that accommodates our individualities and realities while making conscious efforts in providing friendly foreign trade policies that would enhance more export and curtail import which is now a burden to the Nigerian economy. Lastly, a viable exchange rate regime should be put in place to achieve a double-digit exchange rate for our currency. Once these recommendations are taken, they will expand and energize the country's international trade which contributes to the growth of the economy.

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