International Journal of Research in Social Science and Humanities (IJRSS)

DOI: 10.47505/IJRSS.2025.6.13

E-ISSN : 2582-6220

Vol. 6 (6) June - 2025

Evaluation of the Effect of Nigeria's International Trade Policies on its Economic Growth

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ABSTRACT

The study investigated the performance of Nigeria's international trade policies and its effect on the economic growth of Nigeria from 1984 to 2019. The major problem of the study is that the promotion of economic growth is one of the major objectives of international trade but, in recent times, this has not been the case because the Nigerian economy is still experiencing major elements of economic instability such as price instability, high level of unemployment, gross insecurity and adverse balance of payments. The study adopted time series data for the periods 1984 - 2018. The ARDL regression method and descriptive analysis were employed to establish the relationship between the variables of the study. The findings revealed that Trade openness (TOP) has a negative and significant relationship with GRGDP. A unit increase in TOP results in 17.533 decrease in GRGDP. The study recommended that the Central Bank of Nigeria should review its exchange rate policies as regards the import and export (I&E) window to stimulate production and export of goods and services from the country since the existing policies yielded negative results in the period of the study. This will promote export and enhance Nigeria's balance of payment and external reserves.

Key words: Economic growth, International Trade, Policies.

1.0 BACKGROUND TO THE STUDY

Nigeria's economy was adjudged as Africa's leading and fastest growing economy with a total GDP value of $397.2 billion US dollar (NBS, 2019). This is an open economy which has attracted huge number of foreign investors, however the financial crisis in Nigeria majorly impacted the investment of foreign firms and affected their financial conditions adversely. The global economic crisis otherwise known as economic recession is a global phenomenon in the life of a nation, where there is a shortfall or breakdown in economic and commercial activities. By implication, the productive capacity of such a country collapses drastically, leading to the dearth of most corporate entities and job losses as it was obvious with the American Economy which was regarded as the leading world economy few years ago, and had a negative multiplier effect on African economies including Nigeria. International trade has been described as one of the fastest means of fast tracking effective and efficient economic development in less developed countries (LDCs). It is also regarded as an engine of growth, which leads to steady improvement in human status by expanding the range of people's standards and preferences (Adewuyi, 2016). And since no country has grown without trade, international trade evidently plays a vital role in restructuring economic and social attributes of countries around the world, particularly, the less developed countries. Furthermore, over the years, development economists have recognized the role of trade in the growth process of national economies, as trade provides both foreign exchange earnings and market stimulus for accelerated economic growth.

The economic growth of Nigeria largely depends on her trade with other nations, and Nigeria as a developing country has been grappling with realities and demands of developmental processes; politically, socially and economically. In 1960s, agriculture was the mainstay of the economy and the greatest foreign exchange earner and the Nigerian government was able to execute investment projects through domestic savings, earnings from exports of agricultural

products and foreign aids (Ezike, 2015). But since the advent of oil as a major source of foreign exchange earning in Nigeria from 1974, the picture has been almost that of general stagnation in agricultural exports. This has led to the loss of Nigeria's position as an important producer and exporter of palm oil produce, groundnut, cocoa and rubber (CBN Annual Report, 2016). Between the years 1960 and 1980, agricultural and agro-allied exports constituted an average of sixty percent of total export in Nigeria, which is now accounted for, by oil export, (CBN Annual Report, 2019).

However, evidence from World Trade Organization (WTO) country trade profile statistics for 2017 reveals that, Nigeria's total share in world merchandise for 2018 stood at 0.51% and 0.31% for export and import respectively. Also, available statistics and other empirical evidence suggests that despite the demonstrated potential gain expected from free trade regime, that would stimulate the economy and lead to massive trade expansion (especially outward), enhanced economic performance and a positive balance of trade, Nigeria has continued to extensively remain on the fringe with a gaping trade deficit. Ugagu (2017), Yusuf (2016) and Odusola (2014) collaborate this assertion as they agreed that; Nigeria's economy is still witnessing a slower growth trajectory despite its deliberate efforts at global economic integration and embracing free trade policy.

1.2 Statement of the Problem

The Nigerian economy as a national entity though linked to the global economy through trade has been deficient in linking the welfare, lives and livelihood of majority of Nigerians to the conditions obtainable within the international economy. A good example is thus observed in the agricultural sector where although it engages over 60% of the Nigerian labour force, this statistic is not proportionally reflected in terms of agricultural export ratio to welfare (Aremu, 2016). It can however thus be seen that export expansion has not been solely able to bring about economic growth.

The promotion of economic growth is one of the major objectives of international trade, this has not been the case because the Nigerian economy is still experiencing major elements of economic instability such as price instability, high level of unemployment, insecurity and adverse balance of payments. Furthermore, the benefits of international trade had not been noticed in the economic growth of Nigeria because some of the goods imported into the country which local industries also produce render domestic industry products inferior and cause neglect of domestic products, thereby reducing the growth rate and output of such industries which later spreads to the aggregate economy. Also, the poor performance of international trade has been ostensibly blamed on factors such as different languages, difficulty in transportation, risk in transit, lack of information about foreign businessmen etc. The major issue being that, since international trade is generally believed to be positively related with growth (Smith, 1776) and in view of the perceived problems affecting international trade as key stimulus to economic growth in Nigeria, 'how has international trade policies enhanced the performance of the Nigeria economy?'

The objective of this study is to determine the performance of Nigeria's international trade policies and its effect on the nations' economic growth.

2.1. Literature Review and theoretical framework

The impact of international trade on economic growth in Nigeria has generated large volume of empirical studies with mixed findings using cross sectional, time series and panel data. International trade is generally believed to be positively related with growth (Adam Smith, 1776). This idea prevailed until World War II but more precisely, it is held that appropriate trade policies in particular circumstances can be used to stimulate economic growth and development. Therefore, this section of the study seeks to review relevant empirical studies that have examined the impact of international trade in the actualization of sustainable growth and development.

Akerele (2019), carried out a study with the use of appropriate quantitative techniques, he identified sources of instability in export earnings for the Nigerian economy, for a 37-year period (1980 - 2017). He observed that both political and economic factors were the major sources of instability in Nigeria's export earnings. The influence of political factors on export earnings is not surprising, since the period of study coincided with the imposition of various sanctions on Nigeria, for failing to adopt western-style democracy.

Abdullahil, Abdul & Shahanara (2018) examined the Effects of Exchange Rate Variation on Price Level and Output Growth in Bangladesh. They empirically examined the impact of depreciation on domestic output growth and price

DOI: 10.47505/IJRSS.2025.6.13

level of Bangladesh. Exchange rate along with some other traditional factors like investment spending, bank credit, narrow and broad money and labour force was considered to evaluate the influence of exchange rate fluctuation on economic growth and price level of Bangladesh. The macroeconomic time series variables are made stationary to employ regression techniques. Their study finds that depreciation has an expansionary effect on output level and price level and their overall result is consistent with the view that depreciation leads to inflation fostering the output growth. Riman, Akpan & Offiong (2018) examined the asymmetric effect of oil price shock on exchange rate and domestic investment in Nigeria. Using a time series data ranging from 1970- 2010, the study utilized elaborate econometric analysis which tests the sensitivity of exchange rate, private investment, public investment, per capita income and industrial production to oil price shocks, using the Impulse Response Functions (IRFs) and Variance Decomposition (VDC) techniques within a Vector Autoregressive (VAR) framework. The authors clearly revealed that while government expenditure exhibited immediate positive response to oil price shock, public investment, private investment and industrial production exhibited negative response to oil price shock, further confirming the evidence of "Dutch disease" in Nigeria. The variance decomposition analysis further revealed that exchange rate, government expenditure and domestic investment were mainly affected by oil shock, particularly, in the short run. The authors recommended that volatility in crude oil prices has negative impact on domestic investment and industrial development in Nigeria. It is recommended among other things in this study that the usual practice of sharing oil windfalls to the three tiers of government should be discouraged; rather, the central government should allocate these windfalls to priority sectors of the economy to enhance development.

Ogbokor (2018) analysed the macroeconomic impact of oil exports on the economy of Nigeria, using OLS technique, he observed that economic growth reacted in an expected way to changes in the variables used in the study. He also found that 10% increase in oil exports would lead to 5.2% increase in economic growth. He concluded that export-oriented strategies should be given a more practical support. Lin & Li (2018) examined the contribution of foreign trade to china's economic growth and found that the previous reviews on foreign trade underestimated the contribution of exports to GDP growth by overlooking the indirect impacts of exports on domestic consumption, investment, government expenditures and imports. They proposed a new estimation method and found that 10% increase in exports resulted in 1% increase in GDP in the 1990's in China, when both direct and indirect contributions were considered.

Emilio (2017) did a study on trade liberalization and economic growth. The study used time series data from 1981 - 2016, real GDP as the dependent variable and degree of openness, foreign exchange and interest rate as independent variables. The data analysis revealed that the relationship that exists between international trade and economic growth was positive while there was a negative relationship with interest rate and further recommended that international trade should be pursued vigorously. Ogbokor (2017) analyzed the macroeconomic impact of oil exports on the economy of Nigeria. With the use of OLS technique, he observed that economic growth reacted in an expected way to changes in the variables used in the study. He also found that 10% increase in oil exports would lead to 5.2% increase in economic growth. He concluded that export-oriented strategies should be given a more practical support. Caves (2016) observed that the relative increase effect to attract more Foreign Trade stems from the belief that trade openness has several positive effects. Among these are productivity gains, technology transfer, introduction of new processes, managerial skills and know how in the domestic market, employee training, international production network and access to markets.

Bourdon & Korinek (2017) examined individual regions in Asia, Europe and America, the extent to which exchange rates and their volatility affect trade in two broadly defined sectors, agriculture on the one hand and manufacturing and mining on the other. Bourdon & korinek (2017) find that exchange volatility impacts on trade flows only slightly. Exchange rate levels, on the other hand, affect trade in both agriculture and manufacturing and mining sectors but do not explain in their entirety the trade imbalances in the three countries examined. The authors also find that the impact of exchange rate volatility on trade also does not benefit from a clear theoretical cause-effect relationship. On the other hand, Abdur (2004) examined the impact of exchange rate volatility on the trade flows of the g-7 countries in the context of a multivariate error-correction model.

Onuchukwu & Kalu (2016) in their study of exchange rate variations and Nigeria's balance of payments evaluated the impact of exchange rate variation on Nigeria's balance of payments. In the study, a Nigeria balance of payments model was designed and estimated and the result thereof suggests that about 81% of variation in the Nigeria balance of

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payments within the study period is explained by exchange rate. The study, which has balance of payments as the dependent variable and exchange rate as well as gross domestic product as explanatory variables, reveals a significant and positive relationship between them. And thereby argues that exchange rate and gross domestic product exert significant influence on the balance of payments in Nigeria during the period of study.

Onuoha, (2016), empirically examined the impact of exchange rate variation and inflation on the economic growth of Nigeria. He adopted the Ordinary Least Square method to analyze the time series properties of the variables under consideration so as to determine the trend of the variations using annual data set on real GDP and inflation rate spanning from 1980 - 2010. The objective of his study among others was to examine the effect of exchange rate variation and inflation on the economic growth of Nigeria. The data sources were mainly from a twenty three year financial indications of exchange rate variations and inflation. The data sources were mainly from CBN Statistical Bulletin (various issues), CBN Annual Report (various issues), International Monetary Fund and International Financial Statistics Year Book (various issues). The interest rate variations was measured by three years moving average of standard deviation of the nominal exchange rate. The empirical analysis revealed that export and import showed a positive relationship but not statistically significant at 3.4%. The coefficient of Exchange rate showed a positive relationship but is statistically significant at 3.4%. This implies a positive relationship between inflation and exchange rate. This is because an increase in the volatility of exchange rate will lead to increase in inflation. Only economic growth recorded a negative relationship. His study contends that while high rate of inflation and inconsistent exchange rates is detrimental to economic growth, moderate and stable inflation rate supplements returns to savers, enhances investment and economic growth of a country.

Asher (2017) examined the impact of exchange rate fluctuation on Nigeria's economic growth for period of 1980 - 2010. The result showed that real exchange rate has a positive effect on the economic growth. In a similar study, Akpan (2008) investigated foreign exchange market and economic growth in an emerging petroleum-based economy from 1970 - 2003 in Nigeria. He found that positive relationship exists between exchange rate and economic growth. Obansa, Okoroafor, Aluko and Millicent (2016) also examined the relationship between exchange rate and economic growth in Nigeria between 1970 - 2010. The result indicated that exchange rate has a strong impact on economic growth. They concluded that exchange rate liberalization was good for the Nigerian economy as it promotes economic growth. Azeez, Kolapo & Ajayi (2015) also investigated the effect of exchange rate volatility on macroeconomic performance in Nigeria from 1986 - 2010. They discovered that exchange rate is positive related to Gross Domestic Product. Adebiyi and Dauda (2009) using error correction model argued on the contrary that trade liberalization promoted growth in the Nigerian industrial sector and stabilized the exchange rate market between 1970 and 2006. To them, there was a positive and significant relationship between index of industrial production and real export. A one per cent rise in real export increases the index of industrial production by 12.2 per cent. By implication, it means that the policy of deregulation impacted positively on export through exchange rate depreciation.

Eme & Johnson (2015) investigated the effect of exchange rate movements on real output growth in Nigeria. Based on quarterly series for the period 1986 - 2010, their paper examined the possible direct and indirect relationship between exchange rates and GDP growth. The relationship was derived in two ways using a simultaneous equations model within a fully specified (but small) macroeconomic model. A Generalised Method of Moments (GMM) technique was explored. The estimation results suggested that there is no evidence of a strong direct relationship between changes in exchange rate and output growth. Rather, Nigeria's economic growth has been directly affected by monetary variables. These factors have tended to sustain a pattern of real exchange rate, which has been unfavourable for growth.

Adeniran,Yusuf and Adeyemi, (2017) examined the impact of exchange rate on economic growth from 1986 - 2013. The main type of data used in their study is secondary; sourced from Central Bank of Nigeria Statistical Bulletin of various issues. From 1986 being the year the monetary authority shifted from fixed exchange rate regime to flexible exchange rate regime in 2013. The correlation and regression analysis of the ordinary least square (OLS) were used to analyze the data. Their result revealed that exchange rate has positive impact but not significant with (β =0.014, t = 1.783, Pns) this affirms previous studies that developing countries are relatively better off in the choice of flexible exchange rate regimes. Their result also indicated that interest rate and rate of inflation have negative impact on economic growth but not significant with (β = - 0.002, t = - 0.015, Pns) and (β = -0.023, t = - 0.716, Pns) respectively.

DOI: 10.47505/IJRSS.2025.6.13

The theoretical framework of this study is hinged on the New Trade Theory developed by Paul Krugman. The New Trade Theory (NTT) proposes that a critical factor in determining international patterns of trade are the very substantial economies of scale and network effects that can occur in key industries. The NTT was developed to explain high levels of intra-industry trade and the large proportion of world trade that takes place between similar countries (Dicken, 1998; Poon, 1997). It suggests that the existence of increasing returns to scale and imperfect competition provides reasons for specialisation and trade even when countries are similar in factor endowments (Krugman, 1979; Helpman and Krugman, 1985).

3. METHODOLOGY

Ex post facto research design and econometric procedures of analysis was employed in this study. Of course, the analytical techniques consist of; unit root test and ARDL bounds test.

3.1 Model specification

Following Muhammad and Benedict (2016) who studied the impact of international trade in Nigeria from 1981 - 2012. The study shall therefore adopt the same growth model to specify the model for this study. Our model follows the same OLS regression analysis as widely applied by Muhammad and Benedict (2016) in their econometric analysis. The model is therefore, specified as follows:

3.2.1 Functional Specification

RGDP = F (EXCH, LENDR, TARIFF, TOP) …….. 1

Its econometric form is:

Linearly stating the model of equation (1), it becomes:

$GRGDP = \beta_0 + \beta_1 EXCH + \beta_2 LENDR + \beta_3 TARIFF + \beta_4 TOP + \mu$ ……..2

Apriori Expectation: $\beta_1 > 0$, $\beta_{2>0}$, $\beta_{3>0}$ Where:

GRGDP = Growth rate of Real Gross Domestic Product

EXCH = Exchange Rate

LENDR = Interest Rate

TOP = Trade Openness TARIFF = Tariff on

importation μ = Error term

β_0 is a constant

β_1, β_2 and β_3 are parameters to be estimated

From the model, Real Gross Domestic Product (RGDP) is the dependent variable. The independent variables in the model are trade openness, tariff, interest rate and exchange rate. These variables have the ability to affect the rate of growth in the Nigerian economy negatively or positively.

3.3 Apriori expectation

$\beta_0 > 0, \beta_1 > 0, \beta_2 >$ or $< 0, \beta_3 > 0, \beta_4 > 0$

3.4. Variable Definition and Measurement

The econometric models used in this study utilised two sets of variables, namely: dependent and independent or explanatory variables. The dependent variable represents the measures of economic growth that may be affected by the international trade policies. The measure of economic growth to be adopted in this study is the Growth Rate of Real Gross Domestic Product (RGDP). The independent or explanatory variables are the trade openness, interest rate, tariff and exchange rate under investigation.

3.5 Estimation Procedure

To access the performance of international trade policies in the Nigerian economy, the study will adopt time series data for the periods 1984 - 2018. The ARDL regression method and descriptive analysis were employed to establish the relationship between the variables of the study. The Coefficient of Determination (R^2) was also used to determine the total variation of the dependent variables as a measure of goodness fit.

4. DESCRIPTIVE STATISTICS

The descriptive statistics used in this study include mean, maximum and minimum values, standard deviation, Skewness, kurtosis, Jarque-Bera and its probability value. As shown in Table 4.1, the results were mixed.

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Table 4.1 Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
GRGDP	35	4.329	3.927	-2.04	15.33
TOP	35	0.507	0.166	0.236	0.818
EXCH	35	96.076	86.735	0.77	306.08
LENDR	35	18.466	4.351	9.43	31.65
TARIFF	35	21.246	13.419	9.68	86.48

Source: Author's computation using Stata 15, 2020

From table 4.1, the mean of growth rate of gross domestic product (GRGDP), trade openness (TOP), exchange rate (EXCH) and lending rate are 4.329, 0.507, 96.076 and 18.466 respectively. Also, the standard deviation, minimum and maximum values of the variables are reported on the table.

4.2. Unit Root Test

For the purpose of avoiding spurious regression usually associated with non-stationary time series data, the Augmented Dickey Fuller and Zivolts-Andrews unit root test were carried out to determine the order of integration of the variables used for the study. The summary of the results are presented in the tables below:

Table: 4.2. Augmented Dickey-Fuller (ADF) Unit Root test Results without Structural Breaks.

Variables	P – value @ level	t-Statistics @1stdiff(5%)	5% Critical value	P – value @ 1st Diff (5%)	Order of Integration
GRGDP	0.2614	-4.548	-2.980	0.0002	I(1)
TOP	0.4108	-4.450	-2.980	0.0002	I(1)
EXCH	0.9866	-3.412	-2.980	0.0106	I(1)
LENDR	0.0479	-	-	-	I(0)
TARIFF	0.6467	-5.601	-2.980	0.0000	1(1)

Source: Authors' computation using Stata 15, 2021

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Table: 4.3. Zandrews Unit root Result with Structural Break

Variables	Levels(Cons Trend)	1st diff(Cons Trend)	Order Integration
GRGDP	-3.798 (2002)	-11.677*** (1995)	I(1)
TOP	-3.467 (2001)	-9.142*** (2010)	I(1)
EXCH	-3.319 (2013)	-6.487*** (1999)	I(1)
LENDR	-5.912*** (1994)	-	I(0)
TARIFF	-4.168 (1996)	-6.365*** (1999)	1(1)

Source: Extract from using Stata 15, 2021

Note: The statistics reported are the t - Statistics with the associated break dates in brackets.
*GRGDP: Growth Rate of Gross domestic product, TOP: Trade Openness: EXCH: Exchange Rate and LENDR: Lending interest rate. Tariff ***, **, * signify 1%, 5% and 10% significance levels respectively. Values in "( )" are the break dates revealed by the unit root tests with structural break. Zandrews Unit root Critical values: 1%: -5.57 5%: -5.08 10%: 4.82. ADF Critical values at 1st diff: -3.702 -2.980 -2.622 @ 1% 5% 10% resp. ADF Critical values at levels: -3.696 -2.978 -2.620 @ 1% 5% 10% resp*

The decision rule here is that, when the t - statistics is greater than the critical value at 5% level of significance or the probability value is less than 0.05, it then shows that the variable is stationary. Otherwise, the difference is taken until it attains stationarity.

The results of the Augmented Dickey Fuller unit root tests without structural break in table 4.2 shows that, the variables were stationary at different orders of integration. The growth rate of gross domestic product (GRGDP), trade openness (TOP) and exchange rate (EXCH) and TARIFF were stationary at first difference, while Lending rate (LENDR) was stationary at levels. The same position was reported when unit root was conducted with structural breaks using Zivolts and Andrews (Zandrews) unit root test on table 4.3. Therefore, since the variables were stationary at different orders of integration the study tested for co-integration using the autoregressive distributed lag model (ARDL) co-integration bound test.

4.3 Co – integration Estimate

Based on the result of the unit root tests presented on the tables, the study conducted the co-integration test using the Auto Regressive Distributed Lag Bound Co-integration test (Pesaran, Shin and Smith, 2001). The result is presented on table 4.4:

Table 4.4 ARDL Bound Co – integration Test

Estimated Model	**F - statistics**	
	K = 3 7.812	
Critical values	**Lower Bound I(0)**	**Upper Bound I(1)**
1%	4.29	5.61
5%	3.23	4.35
10%	2.57	3.77

Source: *Author's computation using Stata 13, 2021.*

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The result of co-integration test on table 4.4, shows that the value of the F-statistics is 7.812 which is greater than the upper bound critical value at 5%, indicating the presence of co-integration among the variables in the model. Hence, this study proceeds with the estimation of both the short-run and the long-run ARDL regression estimates.

4.4 Analysis of Estimates of the GRGDP Model

Table 4…: Long and Short run ARDL Regression Estimates on GRGDP Model.
Estimated Lag length (1). Lag length criteria AIC

Variables	Coefficients	Std. Error	T - statistics	Prob.
Adjusted D.ECM	-0.7448	0.1698	-4.39	0.000
LONG-RUN ESTIMATE				
TOP	6.483	3.125	2.07	0.049
EXCH	0.0146	0.0088	1.67	0.108
LENDR	-0.6042	0.354	1.70	0.101
TARIFF	1.839	3.504	0.52	0.604
SHORT-RUN ESTIMATE				
D(TOP)	-7.878	5.1784	-3.39	0.013
D(EXCH)	-5.1283	0.0342	-2.49	0.026
D(LENDR)	0.6582	0.1850	2.64	0.014
D(TARIFF)	-1.0154	2.0110	-0.50	0.0618
C	2.7166	2.8206	0.96	0.344
R – squared		0.7984		
Adjusted R – Squared		0.6304		
F – statistics		2187.17 ($p < 0.05$)		
Durbin – Watson Statistics		1.9412		
Heteroskedasticity		(Prob>chi2) 0.4192		
Normality test (Jacque Berra)		(Prob-chi2) 0.2931		

Source: *Author's Computation using stata 15, 2020.*

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4.5 Discussion of Results

The result of ARDL estimates on table 4.5 show that TOP has a significant and positive relationship with GRGDP in the long run. A unit increase in TOP will result in 14.510 increase in GRGDP. EXCH has a positive and insignificant relationship with GRGDP in the long run. A unit increase in EXCH will result in 0.014 increase in GRGDP in the long run. However, LENDR has an insignificant and negative relationship with GRGDP in the long run. An increase in LENDR will result in a reduction of GRGDP by 0.366 in the long run. TARIFF has an insignificant and positive relationship with GRGDP in the long run. An increase in TARIFF will result in a reduction of GRGDP by 0.366 in the long run.

In the short run, a negative and significant relationship exists between TOP and GRGDP. A unit increase in TOP results in 17.533 decrease in GRGDP. Also, a negative and significant relationship exists between EXCH and GRGDP in the short run. A unit increase in EXCH will result in 0.085 unit decrease in GRGDP. A negative and significant relationship exists between TARIFF and GRGDP in the short run. A unit increase in TARIFF will result in 1.0154 unit decrease in GRGDP. However, a positive and significant relationship exists between LENDR and GRGDP. A unit increase in LENDR will result in an increase in GRGDP by 0.488 unit. From the estimate, the coefficient of the error correction term is correctly and negatively signed (-0.827) and is statistically significant. The coefficient estimates of the error correction term which is -0.744, means that the model corrects its short-run disequilibrium by about approximately 83 percent (74%) speed of adjustment in order to return to the long-run equilibrium. Moreso, the coefficient of multiple determination of the model, that is, the R - square showed that the explanatory variables jointly explained 79% of the variations in the performance of the GRGDP, while the remaining 21% of the variation is explained by other variables not included in the model and the result of the coefficient of multiple determination showed that the model has a very good fit.

Also, the result of the Durbin - Watson statistics shows 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. The Prob > chi2-value of 0.4192 indicates the absence of heteroskedasticity. The Normality test result of Jacque-Berra shows that the model is normally distributed as the p-value is greater than 0.05.

H_{02}: The Exchange rate does not have significant effect on the growth rate of GDP.

H_{03}: Lending rate does not have significant effect on the growth rate of GDP.

The probability value of trade openness (TOP) in table 4.5 is 0.002, which is less than 0.01 shows that TOP is a significant determinant of GRGDP at 1% significance level. We therefore reject the null hypothesis and uphold the alternative.

Variable	**GRGDP**	**TOP**	**TARIFF**
GRGDP		192.43 (0.0000***)	97.50 (0.0000***)
TOP	40.25 (0.0000***)		
TARIFF	11.36 (0.0228**		

Exchange rate has a probability value of 0.020 which is less than 0.05, therefore the null hypothesis of no significant effect with GRGDP is rejected.

The lending rate (LENDR) has a probability value of 0.014 which is significant at 5% level of significance. Hence, we reject the null hypothesis and uphold that Lending Rate (LENDR) has a significant effect on the growth rate of GDP.

5. SUMMARY OF FINDINGS

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The major findings of this study include:

1. Trade openness (TOP) has a negative and significant relationship with GRGDP. A unit increase in TOP results in 17.533 decrease in GRGDP.
2. Also a negative and significant relationship exists between EXCH and GRGDP. A unit increase in EXCH will result in 0.085 unit decrease in GRGDP.
3. However, lending rate (LENDR) has a positive and significant relationship with GRGDP. A unit increase in LENDR will result in an increase in GRGDP by 0.488 unit.
4. A negative and significant relationship also exists between TARIFF and GRGDP. An increase in tariff results to a reduction in growth.
5. There exists a bi-directional negative causality between trade openness (TOP) and the growth rate of gross domestic product (GRGDP).

5.2 Conclusion

Nigeria's international trade policies with respect to export-import policies, exchange rate policies, tariff and cost of funds (lending rates) were used as exogenous variables while the growth rate of GDP was the endogenous. The findings of this study indicated an eminent review of Nigeria's trade policies since the existing policies yielded negative results in the period of the study. And strict implementation of policies that affect international trade is advised.

5.3 Recommendations

Based on the findings of this study, the following recommendations are made:

1. The Central Bank of Nigeria should review its exchange rate policies as regards the import and export (I&E) window to stimulate production and export of goods and services from the country. This will encourage domestic production, promote exportation and enhance Nigeria's balance of payment and external reserves.
2. Formulation and Implementation of exchange rate policies that will strengthen the naira as well as promote the purchase of Nigeria's goods and services by other nations is highly advocated.
3. Moderation of tariffs on domestic goods and services is highly recommended as it has a negative effect on economic growth.
4. Reduction in the lending rate to manufacturing sector of the economy that will lead to increase in production of goods and services and promotion of export is recommended.

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