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Diversification of the economy: A panacea for Nigerian economic development

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Abstract

The Nigerian economy has for decades precariously leaned on the fragile leg of crude oil. Consequently, it has had a chequered growth trajectory driven by the vicissitudes of oil prices. An emerging trend suggests that in the last seven years the economy was growing without job creation and poverty reduction. Expectedly, attention of scholars had shifted towards non-oil export as a remedial for this quagmire. However, it is a known fact across the globe that for a country to attain growth and development, its economy has to be diversified. Diversification does not occur in a vacuum. Mono-economy needs to give way to the productive development of various sectors of the economy. This paper however, attempted to seek out how diversification of the economy will enhance stable and viable economic growth in Nigeria. It was found that for the economy to be diversified there has to be a very serious paradigm shift in economic policies and political will to implement such changes in policies. Furthermore, the data show that the neglect of agriculture has, in addition, led to the constant depreciation in GDP of the country. Hence this clarion calls for urgent diversification of the Nigerian economy.

Keywords: Economic diversification, Oil Revenue, Agriculture, Non-Oil Export, Economic Growth, Nigerian economy

Introduction

A review of the Federal Government revenue profile in the last half-decade showed that oil earnings accounted for over 80.0 per cent of the foreign exchange earnings, while the non-oil sector, despite its improved performance, contributed 20.1 per cent (CBN, 2010), thus revealing the extent of the vulnerability of the economy to swings in the price of oil in the international market. The renewed emphasis on the production of Shale oil in the United States and other alternatives to fossil-fuel energy, such as solar, wind and bio-energy in the advanced economies, has reduces oil demand and price, and further weaken Nigerian earnings. Thus, in the absence of concerted efforts to shore-up and widen the revenue base, there will be reduction in crude oil revenue and excess crude oil receipts savings in the coming years with grave macroeconomic implications.

The performance of the non-oil export sector in the past three decades leaves little or nothing to be desired, in spite of the efforts to promote non-oil exports in Nigeria. Abogan, et al. (2014) note that an assessment of the trend and patterns of activities in the non-oil sector of Nigeria revealed that despite the various policies, strategies and reform programmes, the contributions of the sub-sectors of this sector have been dismal, disheartening and below its full potential. The share of non-oil export in the country's total export earnings has remained very low and it was 1% in 2008 (CBN, 2008), and up 4.8% in 2013 (CBN, 2013). Ezeudu (2014) notes that recent proactive efforts from the private sector, export processing free zone scheme and Nigeria Export and Import Bank (NEXIM) especially efforts of the banking sector to finance exportation of commodities are becoming noticeable in the nation's export profile, with the traditional commodities like cocoa, being upstaged by new ones like cashew nut, ginger and sesame seed in the foreign market.

The policy concern over the years has therefore been to expand non-oil export in a bid to diversify the nation's export base (Adedipe, 2004). The diversification of the Nigerian economy is necessary for important reasons. First, the volatility of the international oil market with the attendant volatility of government revenue gives credence to any argument for diversification of exports. Secondly, the fact that crude oil is an exhaustible asset makes it unreliable for sustainable development of the Nigerian economy (Utomi, 2004). The adverse consequences of over dependency on oil trade heightened the need and call to diversify Nigerian economy away from oil towards the direction of non-oil export trade.

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Proponents of this increased proportion of non-oil export argue that the non-oil trade has great potentials to propel Nigerian economy to the desired growth and development. For instance, Onwualu (2012) maintains that the value chain approach to agriculture has the potentials to open up the economy and generate various activities which are capable of creating jobs and enhancing industrialization and thus makes the non-oil sub-sector to hold the aces for future Nigerian sustainable economic growth.

Available evidence point to noticeable increase in the contribution of non-oil sector to the growth of the Nigerian economy over the last ten years (Soludo, 2007; Olayiwola and Okodua, 2010; Aigbakhram, 2008). Specifically, The Central Bank of Nigeria (CBN) has attributed the growth in Nigeria's Gross Domestic Product (GDP) from 6.9 per cent in third quarter 2012 to 7.1 per cent in the fourth-quarter of the same year to the increase in the contribution of the non-oil sectors, particularly the industrial sector (NBS, 2012). In its report titled "Economic Report Fourth-Quarter 2012" CBN submits that non-oil receipts stood at N589.98 billion (24.4 per cent of the total).

Adekunle (2012) maintains that Nigeria has the potential to realize N310bn from non-oil export by the end of last year. National Bureau of Statistics (NBS) further reports that the non-oil sector grew at 9.07% in the fourth quarter of 2011 higher than the 8.93% increase recorded in the fourth quarter of 2010. The growing body of literature indicating possible linkage between non-oil export and growth of the Nigerian economy notwithstanding, there is still paucity of empirical evidence as to the magnitude of the contribution of non-oil export to the growth, and specific sectors and factors that are behind such growth. Further, it is observed that most time series studies in this line of investigation on Nigerian economy have focused on export promotion strategy of industrialization, as a way of diversifying the productive base of the Nigerian economy (Onayemi and Ishola, 2009) without clear information on how strong the impact of non-oil export has on the rate of change in the Gross Domestic Product (GDP).

Literature Review

Samuelson (1968) in describing economic diversification as an act of investing in a variety of assets, mentioned its benefit as that which reduces risk especially in the time of recession, inflation, deflation etc. Economic diversification strives to smooth out unsystematic risk events in a portfolio so that the positive performance of some investments will neutralize the negative performance of others.

Muttaka (2015) examined the effect of Nigeria's oil dependency on economic growth. He observed that Nigeria has wasted much of its opportunities to break away from underdevelopment despite its massive natural and human resources endowment due to heavy reliance on her huge crude oil resources, regrettably mismanaged, as the major source of revenue. He identified and discussed on some key drivers of economic diversification such as investment, governance and regional dimensions of economic diversification as well as human and natural resources. He maintained that of all the other drivers, good governance remains a prerequisite in building an enabling environment for such diversification. Onucheyo (2001) earlier predicted the fall in oil prices, when he pointed out that in the 21st century nuclear, solar, geothermal and other energy sources will be sufficiently developed to meet most of the world's energy requirements. A situation which, according to Onucheyo, raises fears for

Nigeria's oil powered monocultural economy. Onucheyo maintained that Nigeria's position in the 21st century will not depend on its oil, but the development of its agricultural sector and related human resources.

Non-oil sector comprises those groups of economic activities which are outside the petroleum and gas industry or those not directly linked to them. It consists of sectors such as manufacturing, agriculture, telecommunication, service, finance, tourism, real estate, construction and health sectors. Non-oil (mostly agricultural) products such as groundnuts, palm kernel, palm oil, cocoa, rubber, cotton, coffee, beans, hides, skin and cattle dominated Nigeria's export trade in the 1960s. But the discovery of crude oil in commercial quantity shifted the attention from non-oil export to a "petroleum mono-cultural economy" since the 1970s. While petroleum export was growing, non-oil exports were declining, this made the dominance of oil export over non-oil export much more rapid and pervasive.

The transformation of Nigeria from a net exporter of agricultural products to a large-scale importer of the same commodities was particularly marked during the period 1973–1982 (Oyejide, 1986). Osuntogun et al (1997), report that nominal non-oil export earnings fell from N363.5 million in 1973 to N203.2 million in 1982. The decline was even more dramatic in real terms as oil exports in contrast rose phenomenally, from about N2 billion to about N8 billion in nominal terms during the same period.

Also continued reliance on developed countries as markets for oil and non-oil exports has caused Nigeria great misfortunes, as recessions in developed countries are usually fully transmitted to Nigeria.

Onwualu (2009), identifies key impediments to the growth of the non-oil sector as follows :

- Weak Infrastructure –a national challenge.
- Supply side constraints –due to low level of technology. This constraint is particularly prominent in the agricultural sector.
- Low level of human capital development –general.
- Weak Institutional framework –general.
- Poor Access to finance –general

Consequently, efforts have been made over the years by Nigerian governments to grow the non-oil sector of the economy by initiating supportive policies and incentives to encouraging the diversification of the economy. These policies can be categorized into three, namely:

- Protectionism Policy (1960 to 1986) -import substitution industrialization was aimed at expanding the industrial base, enhancing cash crop exports, encouraging farmers to expand their farms and increasing the production of cash crops. The ultimate goal was to protect domestic industries that were set up to produce import substitutes.
- Trade Liberalisation Policy (1986 SAP era)-trade policies of this era was aimed at deregulation, commercialization, privatization and liberalization of the economy in order to achieve greater openness to and integration with the world economy; and to tackle the challenges of imbalances in the economy and thereby pave way for sustainable economic growth and development. And
- Export Promotion Policy (Post SAP period) -government policies from 1999 till date are aimed at facilitating the diversification of the economy through policy support to SMEs to enhance the export of their products. Export grant, as reported by Onwualu (2012), is given to exporters to cushion the impact of infrastructural disadvantages faced by Nigerian

exporters and to make exports competitive in the international market.

Case for Diversification of Nigerian Economy

Nigeria is Diversified Talking of diversification; Nigeria is much diversified in terms of its people and cultures: more than 300 tribes or ethnic nationalities. Its very unity and stability are based on that diversity. It is also climatically diverse, from the tropical jungles and swamps of the south-south to the temperate belt around Jos and Obudu, to near desert conditions in parts of the far north. And the various parts are also very well endowed in all sorts of mineral and other resources. Technology fast becoming available and cheaply priced should facilitate their exploitation in the near future. Interest in diversification for now can therefore mostly arise from the dependence of our economy on one major commodity, namely oil, and the need to broaden our revenue base.

Risks of Over-dependence on one Commodity

The main risk is that of over-dependence on one commodity, oil, which is also non-renewable. When oil was first found in Nigeria in the fifties, the prognosis was that Nigeria would never become more than a dot on the world oil map. Today, she is very much more than a dot, about the sixth largest producer or thereabouts. Unfortunately, Nigerian oil is so sweet that the Nigerian economy is now nearly 90% to 98% dependent on oil revenues. This dependence exposes the economy to major risks; namely, The risk that our production could fall, [domestic factors] The risk that the demand for our oil could fall [external factors] The risk that the price might fall [external and OPEC related] The risk that the country could run out of reserves.

Risks of Revenue Shortfall The good news is that whereas our oil production could fall as a result of domestic factors [strikes and insurrections], the demand is unlikely to fall in the nearest future unless the consumer countries like the USA, which is now more than 60% dependent on imported oil, discover other products to replace oil. Prices are a different matter and not even OPEC can guarantee their level for all time, especially in the face of determined opposition from the developed world. Our reserves can still take us a few decades at current levels of production and there is hope that advances in technology will reveal further finds, even from previously exploited wells. The biggest risks are in the domestic front and it is therefore not by accident that much Nigerian oil production currently takes place off shore, away from the warring youth gangs. The goals of policy here would therefore be to create and sustain economic, political and social conditions, which make the extremism that results in 911-type adventures unattractive under any circumstances.

There are other derivative risks but the foregoing will suffice for now. From the point of view of the layman, the most important aspect is the risk that revenues would not be sufficient for the yearly budget and that times could become hard or harder. Diversification as a subject is concerned with protecting ourselves and our children against such risks.

Sustainable Development The second concept with which we shall be concerned is sustainability. In simple terms, like democracy, sustainability has to do with conditions under which we are able to offer a majority of the people, including future generations, better life, and for all, not just the women. To pursue sustainable development is to "ensure socially responsible economic development while protecting the resources base for the benefit of future generations" A recent

study reported by the BBC has claimed that Nigerians are the happiest people on earth. If this is so, perhaps there is no need to bother about further diversification. Just carry on! Except that there are other studies also, and some of them say we are the 20th poorest nation in the world today from being the 20th richest nation some 20 years ago.

There is therefore more to sustainability than our acclaimed happiness. Nations have, first and foremost, to use ideas, policies and strategies, call them micro, macro-policies, development plans and budgets to change the objective conditions of their people, to use resources better and to achieve reasonable standards of living and per capita income for most of the people. Over 60% of Nigerians are said by the World Bank group to be living below the poverty line. This is not a situation you want to sustain. It is a condition you want to change, and like yesterday. The target is to achieve these higher standards of living and then to seek to maintain them into the future, for the living as well as for unborn generations.

Reserve Fund for Future Generations Small oil producing nations such as Kuwait tried to solve the problem of sustainability by creating what they called Reserve Fund for Future Generations, into which they set aside a good proportion of current revenues under the management of an autonomous investment agency reporting to their ministry of finance. The fund is still there but the country has had to dip into it in hard times. Nigeria has such a large population that trying to meet the demands of current consumption is enough to exhaust all we are making from oil. And the current formula for revenue allocation leaves nothing for the future. Even pensions that should be a first charge on recurrent expenditures remain unpaid.

It is ironic that many years ago, Nigeria did in fact set up such a fund at the ADB for then poorer African nations!

What other nations, that have done better than us, have done therefore, is to take some resources from oil and invest in other areas to yield revenues not subject to the same risks as the dominant source of revenues. Markowitz explains in portfolio theory that to obtain a balanced portfolio, that is one with the minimum amount of risk for a given desired level of return or revenues, one needs to invest in not less than 20 stocks. Diversification beyond this point makes little difference to the riskiness of the portfolio.

It is easy to diversify a portfolio on the stock market. Stocks may be freely sold and bought. They do not complain or resist. In real life, diversification involves the diversion of presently scarce resources from parties in control today into uses that may benefit others rather than themselves. Resistance is thus guaranteed, and only the interplay of politics and political will can determine the outcome. Two other forces come immediately into play. One is the chronic lack of investment expertise in Nigeria resulting in the saying that our problem is not money but how to spend it. The second is a direct lesson from Machiavelli, the Italian prince, when he says that there is nothing more difficult to implement than reform. For reform attacks privilege, of which we have many patrons in Nigeria, and seeks to give voice and opportunity to future generations, either still unborn or too weak to participate in the economy. Many who are clamouring for change may in fact be blocking reform, sometimes without knowing it. We shall look at the concept of the economy in a minute, but first let us exhaust the issue of ideas.

Diversification of Ideas I hope you note from what we are saying that the problem could not always have been just implementation, as is popularly asserted. There is need to

open our minds and diversify our ideas and our thinking as well. There are many wrong ideas in high places in both the public and the private sectors. Moreover, I am not sure that we are subjecting ideas to as much examination and scrutiny as they deserve for purposes of policy formulation. As I pleaded in one of my books, please do not believe what is said just because some big man says so, or you may be one of those led by a false sense of loyalty [which equals disloyalty] into not telling the naked king the truth of his condition. Or is it loyalty to let him make a fool of himself and everybody else?

Two examples: I finished my MBA at Columbia in 1974 and a Ghanaian University accepted and published one of my major papers on Nigerian oil. The paper was concerned that oil wealth might not translate into economic health for Nigeria, unless certain things were done. The paper also advised against doing joint ventures with the oil companies and drew attention to possible youth problems in the oil producing areas. I hope you understand the import of the suggestion. Today we are here talking about diversification. While other countries were taking oil money and putting same into other industries, that is diversifying, Nigeria has been taking oil money and putting it back into oil. Hence, in so doing, Nigeria has been confirming the saying that our problem is not money but how to spend it. Since we don't know how to spend it, why not put it back whence it came?

Second example; monetization as a concept has been lying around for over twenty years until the President and Commander in Chief, Chief Olusegun Obasanjo took it up. Now he has the courage to implement it, he is probably not getting as much support as he and the concept deserve. For us to be able to diversify our economy properly every idea will count and every idea will need to be examined nationwide before implementation, at least as a way of mobilizing support for the idea.

Third example: sustainability brings to mind 'renewability'. Thus we can think of renewable sources of energy, such as solar power and wind energy for distributed power generation. India only embarked on wind power development recently, but she is now an important participant in the field. In the area of solar power, we live in a belt of nearly 94% solar radiation day and night. There is good potential for the use of solar power for security lightings etc, at least to decrease the load on NEPA and free some capacity for powerful industrial consumers.

Fourth example: tourism as a possible foreign exchange earner. Until the foreigners come with their dollars and in preparation for their coming, surely we can do something about creating and sustaining domestic tourism for our students and for holiday-makers. This will help us build a culture of hospitality so essential for the successful promotion of tourism. Tourism is not necessarily something that occurs in remote locations where there are waterfalls, scorpions and wild animals but no natives. Tourists also like to interact with ordinary non-419 Nigerians of which there are still very many.

What Makes Up the Economy? And now, let us look at the concept of the economy. Just what is the economy? What makes up the economy?

Going by official statistics, the economy is in sectors, namely the financial sector, the real sector and the government sector. GDP and GNP data reflect these sectors and their activity levels. The data say little about the informal sector, which is estimated in the USA to account for 10% to 20% of the GDP. In Nigeria oil accounts for nearly 90% of the GDP. What percent does the informal sector account for in Nigeria?

Before we attempt to answer that let me digress for a moment. While trying to order a new car from Europe, I learnt that the factory was producing one special edition, bullet proof and all that, for a Nigerian chief. I asked why bullet proof and how can he afford it. I was informed that the chief owns a diamond mine.

As I was saying, I am not sure that official statistics completely capture the size and dimensions of the Nigerian economy. Unfortunately, when we think of 'the economy' in Nigeria, most people think of the banks and industries, and activities that began only when government arrived on the scene. And Government was the last to arrive. After all, people were already here, and they were trading across the Sahara and West Africa, before our colonial masters came on the scene and gave rise to modern government. What was missing was a system of national income accounting. For policy to be effective, it is important that we devise a system of national income accounting that better captures economic activities including the informal sector. This will remain a never-ending job as the formalization of the informals progresses.

Private Public Partnerships So at last we get down to the task of diversification and who does what. Permit me to congratulate MAN for putting this summit together. As trade groups you normally seek protection for yourselves and your industries. Your meetings, going by Adam Smith's thinking, would thus be no better than conspiracies against the public interest. But when you begin to talk of sustainability, as you are doing here, you have become statesmen. You are seeing the nation and its problems as statesmen, and that brings the solution steps closer. You still have the disability that you are not government, but thanks to the concept of Public-Private-Partnerships, the direction in which you should move is clear. It is not for you to arrange the spectrum of industries, which the nation needs, or to do all your diversification as well as backward and forward integration yourselves, without inputs from the public sector. A forum like this enables you to itemize and articulate your problems in such a way that the executive can find that they help themselves best by helping you.

Importance of Manufacturing. There is no gainsaying the importance of manufacturing. The contribution of manufacturing to GDP may be low now, but manufacturing is a major employer of labour, giving many Nigerians a chance to participate in economic development, and transferring vital industrial skills to them in the process. All industries and almost all activities depend on manufacturing to some extent. Even the knowledge economy is based on the production of parts and components and these have to be manufactured. As we move into the future, all the products that we know of, and use now will continue to be manufactured. What we can achieve through diversification is to increase the numbers of these products that we can produce locally in Nigeria and which ones we have to continue to import.

Funding Difficulties One of the major obstacles to your being able to exploit the economic opportunity sets that you are able to identify in the economy and so to increase our diversification, is funding. Aside from the fact the indigenous companies amongst you find it more difficult than the expatriate ones to raise funding locally, both of you suffer from the prohibitive cost of local finance, where and when it is available. It is almost as if the banking sector has diversified away from providing funding for industry. That would be undesirable diversification, the type that was common in the mid nineties when some manufacturers were

clamouring for higher interest rates! The capital market is there but still rather shallow and still unable to provide substantial foreign currency credit, or term facilities and bonds at affordable rates and in a timely manner. Your activities are heavily dependent on the prevailing macro-economic policies, the exchange rate, fiscal, monetary and credit policies. As a group you therefore have an abiding interest in what these policies are and should be at any moment in time. We all need to put on our thinking caps, so that we can diversify our economy away from the lurking dangers of inappropriate policies. In so doing, it is important to bear in mind that much of international trade still obeys the laws of game theory. There are traditional winners and there are traditional losers, and the winners are not playing to lose. Where and when they lose, by chance, they quickly rearrange the game and their winning luck resumes. The basic lesson of International Trade therefore is that it is not fair. It is best to understand that at the start. The die is loaded against us. Economics 101 teaches that you borrow in weak currencies and invest in strong currencies. For weaker economies such as Nigeria, this means that there will be pressure on the local economy for credit for all purposes, making macro-economic policy management more difficult. The dependence of the local economy on oil whose revenues are domiciled offshore while the costs are incurred in Nigeria puts the economy under even more severe pressure. Thirdly, where the same party controls both sides of trade transactions, the trade is unlikely to be a fair exchange. Much Nigerian and African trade is unlikely to be fair thus further worsening already unfair terms of trade. Neither GATT, nor WTO, nor the Washington Consensus and not even the DOHA terms are likely to improve the African condition. WTO favours agriculture, in which Africa is weak more than manufacturing. Its tariff policies will benefit industrialized and industrializing countries more than most African countries with inefficient industries. It is not for us to begin to lament the dearth of infrastructure such as power and transportation in Nigeria at this forum. What is important to note is that successful diversification, capable of leading the nation out of the shackles of poverty, is unlikely to result by chance, and nobody else will do it for us.

For these reasons also, it should be clear that when we set our interest rates at such artificially high levels, citing demand and supply whereas most of the money in circulation is either outside the banking system, or the money in the banking system belongs to government, we merely set our economy on a course of permanent instability, devaluation and inflation. Privatization, deregulation and liberalization all try to free up the economy such that all economic agents can operate unfettered. Governments are not to participate in economic activity but are to leave it to their weak private sectors to do, or to invite foreign investors to do it for them. There is merit in these ideas, but none of the developed nations would have made the progress they made if they had been obliged to operate their economies under such or similar circumstances. The only sure result is to return the world to laissez-faire state from whence we started, only with better entrenchment of those in control.

So where do we go from here? In summary, (a) We need to get our ideas right. (b) We need to get the financial system right, (c) and our national income accounting must capture the economy better. (d) We must avoid the misuse of local credit as replacement for equity, (e) set up proper bond and mortgage markets, and (f) hopefully see several wholly Nigerian companies achieve world class status, (g) as we

create conditions good enough for foreign direct as well as institutional investors.

In the area of possible industrial gaps, we could list for you the 20 top industrial sectors of the Standard Industrial Classification to enable us examine where we have manufacturing gaps in Nigeria. However, that is hardly for you to do as a group. You may do so individually, but only government can study it with a view to taking remedial action, which is no longer fashionable for it to take.

Lastly, I like the concept of mobilization; mobilization for economic war. All through the early phases of our collective existence, you might say that leadership was more concerned with nation building and basic sustenance. Forty-four years after independence, we have good reason to be concerned about sustainable development. To achieve this requires an economic war against poverty, ignorance and vested interest. This is an economic war requiring the mobilization of our already 'diversified' people, especially for entrepreneurship, to enable them participate better in the economy by harnessing the resources available to them where they live in their communities. Every policy will thus be assessed in terms of its contribution to these objectives. I also like the idea of mobilizing the Nigerians in Diaspora to invest back home, either in their home localities or wherever else they please in the country. It is from them and from you that prospective foreign investors will obtain the encouragement to invest locally. As you very well know, we need both local and foreign investment to achieve sustainable development for our people: To achieve our common destiny, by pursuing Prosperity with Transparency.

Conclusion

Diversification of the economy is of paramount importance in the economy by not chiefly dependent on oil sector as the mainstay and the largest contributor to the Total government revenue and GDP. Agricultural, manufacturing and industrial sectors should be more funded and equipped to ensure good outputs and contributions. Economic diversification is vital to countries' long-term economic growth, but many resource-rich countries remain heavily reliant on revenues generated by oil production or mining, jeopardizing their chances for sustainable growth. Too often, countries lack clear policy guidelines on how to diversify, and policymakers have limited understanding of why diversification is important. Diversification is driven by human capital development which is the starting point, driving force and sustaining force. Nigeria can take a cue from the Malaysian story which highlights the fact that good diversification policy requires a long-term perspective, with a concerted and sustained effort to channel the resources and funds that can build effective institutions. Countries like Bolivia, Botswana, Kazakhstan seem to be trapped in the same intermission of diversification like Nigeria where lip service starts and ends the project. As the price of oil in the international market is falling like lightning in the sky, that time has come for countries depending on oil to diversify or face great economic quake that has the potential to threaten their political stability.

Policy Recommendation

The logical policy recommendations from the review are as follows:

Expansion of output: There is the need to promote expanded production in both the agricultural and industrial sector. A higher level of output will help to achieve the following

objectives, satisfying local demand for goods leaving a reasonable balance for export and a reduction in the unit of production. Diversification of export market for Nigerian goods. At present, the bulk of Nigeria limited manufactured goods goes to the African and Asia countries and these accounts for an insignificant share. High priority should be accorded to gain access to market in Africa especially, Ecowas countries. Effective use of bilateral and multilateral trade agreement between Nigerians and other countries should be effectively used to promote Nigerians exports.

Promotion of foreign private investment: Foreign investment capital is a vehicle for industrial growth in a developing country like Nigeria. Since the bulk of industrial inputs is imported, foreign finance helps to complement foreign earnings as it provides funding for import needs to the investors. Attraction of foreign direct investment either wholly owned or in joint ventures with Nigerians should be promoted. To promote the inflow of foreign capital, there is need to undertake image restoring measures to counteract the lingering negative image Nigeria has acquired abroad. This should include efforts to design and implement credible economic and political programme, adjustment of interest rate to encourage investment and actions to protect lives and property. Design and packaging: greater attention should be focused on design and packaging of export product which has been recognized as a necessary condition for a successful export business. Specialist institute for design and packaging should be set up to train industrial workers.

Upgrading of basic infrastructures: These are the urgent need to upgrade the basic infrastructure to a functional level. In particular and adequate power and water supplies must be ensured for any meaning industrialization and export trade to take place. Establishment of more export processing zones in strategic locations within the country to facilitate increased production of manufactured goods duty free.

Improved electricity supply: The electricity situation in the country need to be improved upon as a matter of urgency since most industries in Nigeria depends heavily on the usage of private generators to power their production. This action of course increases the overhead cost of production and affects the outputs of the non-oil sector for exportation purposes.

Financial reforms: Wide interest rate has been severally observed as the factor affecting accessibility of firms to loans by entrepreneurs. Thus, the monetary authorities need to intensify effort at pursuing financial reforms targeted at reducing high interest. A moderate interest rate will act to stimulate the market for non-oil produce.

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