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THE EFFECT OF EXPORT TRADE ON COMMERCIAL BANKS IN NIGERIA

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ABSTRACT: *This study examined the impact of export trade on commercial banks in Nigeria. In carrying out this study, secondary data were utilized. Data were collected from the period of 1983 – 2013, and utilized with the aid of a regression technique. The findings from the analysis revealed that: there is a positive and significant relationship between credit to private sectors and export growth in Nigeria. There is positive and significant relationship between openness of the economy and export growth in Nigeria. There is a positive and significant relationship between exchange rate and export growth in Nigeria and there is a positive and significant relationship between interest rate and export growth in Nigeria.*

KEY WORDS: *export trade, Nigerian export-import Bank,(NEXIM), National Export Promotion Council (NEPC), CBN, and ECOWAS*

INTRODUCTION

The roles of commercial banks in modern economy cannot be over emphasized, hence commercial banks in Nigeria as a financial institution helps in financing the exporting sector of the economy, by lending out short-term loans to those into manufacturing, exporting, trading and industries. Commercial banks facilitate global business by enabling the reliable movement of money. They do not create money, they are simply the intermediaries that move money from the capital market to businesses and institutions. Commercial banks make possible the reliable transfer of funds and translation of business practices between different countries and different customs all over the world. The global nature of commercial banking also makes possible the distribution of valuables to countries. Commercial banking also serves as a worldwide barometer of economic health and business trends.

In Nigeria from 1960s-1970s, the Nigerian economy was dominated by agricultural commodity exports. According to Ogunkola, Bankole and Adewuyi (2006) and Okoh (2004), the situation later changed, crude oil now constitutes 96% of total exports as against 4% for non-oil exports in Nigeria (a negative trend). The performance of the non-oil sector leaves little or nothing to be desired.

Export trade is an integral part of international trade, which has to do with selling of goods and services to other countries (World Bank, 1993). International trade depends on some factors which Beck (2001) referred to as endowment factors which determine the flows of trade among countries. Kletzer and Bardhan (1987), Beck (2002, 2003) incorporated a financial sector in to the Hecsher Ohlin trade model and show that financial sector development in general and banking sector in

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particular gives countries a comparative advantage in industries that rely on external financing. Countries with better developed financial institutions such as banks and markets should therefore, have a comparative advantage in industries that rely relatively more on external finance.

Lack of bank credit (loan and advances) in Nigerian economy has brought about low rate of economic growth and diversification of most industries in Nigeria. The availability of bank credits to those in trade determines what is produced and how much of that product is produced. Therefore, commercial banks perform their important role of financial assistance by rendering important services by granting (loans and advances) to various sectors of the Nigerian economy. Commercial banks support the economy by serving the credit needs of their customary and providing a safe place for the cash balance. Of individual credit activities on the export sector of the Nigerian economy, there are general statements which guide or channel actions in decision making about the export sector advance and investment of commercial bank.

The policies put in place include the abolition of marketing boards; various export expansion schemes, establishment of the Nigerian Export-Import Bank (NEXIM) and the establishment of National Export Promotion council (NEPC). Part of the policies put in place by Nigeria included joining the membership of the Economic Community of West African States (ECOWAS) and the World Trade Organization (WTO) (Ogunkola and Oyejide, 2001). Despite these efforts, non-oil exports have dwindled due to Poor access to financial services, high cost and complicated financing among other reasons.

Bank-based financial system, where banks have close ties to industry, reduces the costs of acquiring information about firms. This makes it easier for the financial system to identify good investments, exert corporate control, and mobilize savings for promising investments than securities market oriented financial system, where the ties between banks and industry are less intimate (Gerschenkron 1962, Allen and Gale 1994). Therefore, this study is intended to assess the bank financing of non-oil exports in Nigeria. Banks financing of export in general and non-oil export in particular is capable of boosting non-oil export sector which brings economic growth.

Commercial Bank Credit

A commercial bank as a monetary institution owned by either government or private businessmen for the purpose of making profit. In pursuit of the profit, the bank undertakes a number of functions. One of these function is the acceptance of deposit from the public, these deposit are in turn given as credit to trade, industry, agriculture which lead to production and employment. According to Edo (2000) commercial bank are privately owned profit seeking and deposit taken financial institution which derive their profit mainly from the giving short term loan at rate of interest higher than the ones given out on money deposited with them. The author noted that commercial banks are most diversified of nation deposit institution.

Also defines commercial bank as a company carrying on the business of receiving money and collecting drafts for customer subject to the obligation of honoring cheque draw upon them from time to time by customer to the extent of the amount available on their current account. According to Argeetary (1996), credit is the amount extended out with a future date of repayment. The NDIC

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Prudential Guideline of 1990 however, provides a wider definition of credit and this includes aggregate of loan, advance, overdraft, commercial paper, banker acceptance, bill discounted lease and guarantees (NDIC 1990). A loan is a specific amount of money given by one party (lender) to another party (lendee) for certain consideration (interest) due for repayment on or before a specific time. The release of this amount of money is based on agreement in which the lender or borrower put forward, which is a collateral or security (Dixon 1988).

According to the Central Bank of Nigeria Credit and Policy Guidelines, two sectors were recognized as high priority sectors. They are agricultural and manufacturing sectors. Commercial bank was directed by the CBN to allocate ten to forty percent of their loan portfolio to agricultural and manufacturing sector respectively in other to boost export. Presently, interest rate is 33 percent per annum for banks and 21 percent annum for other financial institution. Loans are being classified based on short, medium and long term or chain distribution. It is of three types in classes which are short, medium and long term loans. Short term loans are loans with duration of less than 12 months, it involves large sum of amount and must be liquidated within one year time limit. Irrespective of the duration of this loan they all go through the same process procedure, short term loan are granted to individual for single purpose such as investment equipment and product financing debenture or bond issue etc. Another name for short term loan is advance. The risks involved given the short-term span between lending and repayment of then attract a lower interest change.

The duration of the medium term loans ranges from one to three or five years depending on the commercial bank. It is used for letter credit, bill discounting, project financing etc. It involves a moderate amount of risk and uncertainty as certain factor can change within this period. These loans are granted for huge investment such as import/export. Financing, building warehouse financing, equipment financing etc by nature, they require huge capital outlay involving large sum of money. The capital could be put forward by a single bank, but in some cases the sum of money and the risk involved is so much that it requires a group of bank to share the burden. According to Dixon (1988), is known as consortium or syndicate lending, which is a situation where by commercial bank come together to provide a loan for a large scale business. This process begins with the prospective client approach his own bank for loan. If the sum involved is considered to be very large the bank approach other bank for assistance, when they come under the auspices of the lead bank which in most cases is the originating bank. Sometimes though the lead bank bear the most risk i.e. given the largest sum.

Lending Principles and Policies of Commercial Banks

Commercial bank as they are known today give out short-term loan to investor and customers. As a matter of fact they consider some factors, before given out loan and advances to investor and customers. These are call the principle of sound lending or lending policies, they are as follows:

The Purpose of the Loan: Bank should require from the borrower the purpose for which the loan is taken, commercial bank ensures that their lending activities are not in conflict with the banking lending policies and also the federal government policies. So in granting loans to their customers, they ensure that the purpose of the loan been requested is in line with Central Bank of Nigeria (CBN) Credit Guidelines to commercial banking lending. Bank should avoid granting loan for

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speculative and unproductive purposes like social function occasion, ceremony etc, loan should be given for productive purposes.

Amount of the Loan: When a customer or investor makes request for loan, the credit analyst also consider the amount requested mostly must be consistent with the loan purpose, cash flow injection and in conformity with the bank policy and the specific banking policies relating to the purpose. Also the credit analyst has to evaluate the adequacy of the amount required whether the bank is been asked to lead much or too little. The bank will consider it necessary to grant maximum amount which is inadequate to finance the project, if the customer or investor cannot contribute the balance from his own resource. Therefore the investor's contribution to the project is very important

Factors Militating Against Export Trade

Some major factors suspected to be discouraging the exports trade are:

. High cost of local processed goods; in view of certain local factors and development the cost of security and producing goods for export are after higher than the cost of importation of similar items. This is a situation whereby production of export has been relatively on largely attributable to the inflation any effects of large names devaluation, high interest jokes and high cost of local inputs as well as provision of lack of infrastructural facilities.

. Government Policy Consideration: Bank export finance decision are based principally on government declared export where government economic policy rare to improve balance to payment position banks may be forced to raising their location rate and tends to accommodate all type of export.

. Changing Financial Environment: The changing financial environment a tremendous impact on the extent to which bank and other financial institution are prepared to finance export in Nigeria.

Owing the periods of monetary cases and liquidity banks are better disposed for export business but during the period of tight monetary policy and squeezed liquidity are loss inclined finance for export business for instance before the 1989 central banks directives to bank and monetary policy actions carried at mopping up excess liquidity in the system banks are more willing up exceed liquidity in the system, banks are more willing to finance export business. Only because of the availability of funds to allocates for those purpose but also because of the opportunity to have additional source of foreign exchange from the non-oil export.

International Trade and Growth of the Nigerian Economy

The classical and neo classical economist attached so much importance to international trade in a country's development that they regarded "foreign trade" as an engine of growth, trade contributed to the optimal allocation of resources with countries and the transmission of growth from one part of the world to another.

Foreign trade possesses great importance for developing countries like Nigeria; it provides the urge to develop the knowledge of an experience that makes development possible and the means

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to accomplish it. In the 19th and 20th centuries Haberler (1959) in his study of international trade and economic development opines that international trade has made a tremendous contribution to the less developed countries and can be expected to make an equally big contribution in the future and that substantial free trade with marginal, correction and deviation, is the best policy from the point view of economic development.

According to Jhinghan (1997) under direct benefit of foreign trade to economic growth and development says that when a country specialize in the production of a few good, due to international trade and division of labour, it export those commodities which it produces cheaper in exchange for what others can produce at a lower cost. It gains from trade and there is increase in national income which in turn raises the level of output and growth of the economy. Therefore the explanation above says that the higher the level of output through trade tends or helps to break the various circles of poverty and promote economic development.

International trade helps the less developed countries to widen the market and increase the inducement to invest income and savings through more efficient resource allocation, many underdeveloped countries specialized in the production of one or two staples commodities. If efforts are made to export them, they tend to widen the market. Therefore, the existing resources are employed more productivity and the resources allocation becomes more efficient with given production functions. Foreign trade also helps to transform the subsistence sector into the monetized sector by providing market for farm produce and raise the income and standard of living of the peasantry.

International trade arouses from the continuous industrial growth, requires increased input of raw materials alongside expanding market. In ancient Greece where the history of economics is traced from excess output of good from their civilization was traded with nations along the Mediterranean and nearby, a strong sector on export is generally accepted as a basis for promoting rapid economic transformation the increase focus on trade in recent time especially as it relate to exports is a reflection of its positive and dynamic contribution it brings to the growth development of the export economy.

THEORETICAL FRAMEWORK

2.6.1 Brief Survey Of Development Of Export Credit In Nigeria

Existing system of export credit in Nigeria can be roughly grouped into two categories, a system based on export credit guarantee and insurance, a mixed report credit system. Credit facilities increase the volume of international trade. It stimulates international trade (export) through various negotiable instruments such as letter of credit, bill of exchange, bank acceptance etc. The financing of primary export production generally requires. Short-term credit, traditionally provided by the commercial banks, as more Nigerians enter into the export business, such credits have become grossly inadequate. In other to encourage commercial banks and other financial institution to finance exports, the federal government introduced re-financing at favourable term provided by the Central Bank of Nigeria. The central bank, commercial bank and other financial intermediary all participate in export finance. Prior to July 1988, the Central Bank of Nigeria role in export produce and stipulationof guidelines to banks on export credit financing. Following the demise of produce bill finance scheme in 1968, the Central Bank of Nigeria was directed to be the sole source of credit for pre-shipment financing of produce by commodity boards, this system operated until 1986, when the board was abolished.

Commercial banks were required to grant a minimum of 6% of their loans and advances to the export sector, instead of a maximum of 6% as in previous years. Merchant bank were required to grant a minimum of 40% of their total loans and advance to the export sector instead of any maximum of 5% as in previous years. However banking institutions have failed woefully in meeting this guideline. During the pre-SAP period (1980 – 1986), commercial bank export credit was ₦100.2m in 1980 to ₦150.3 in 1982 but decline to ₦122m in 1985 but later increased during the period of SAP in 1986 from ₦311.5m to ₦1316.9m in 1992 and merchant bank export credit during the pre-SAP period (1980 – 1985). In 1980 it was nothing, but 1981 the export credit was ₦0.1m to ₦1.6m in 1983, but later decline to ₦3.8m in 1985, but increase in export credit to ₦606.5m in 1991 but later decline to ₦365.6m in 1992. One major reason for the non-compliance of bank in meeting export credit requirement had been the absence of a guarantee and insurance system for export transaction in the economy. Then it was noted that there was relatively greater performance of commercial banks than merchant bank throughout the entire period. (Source: CBN, Economic and Financial Review, Various Years, IMF, International Financial Statistics, Various Years).

The Concept of Export Promotion and Economic Growth

From the theoretic point of view each region of the world can benefit from the exchange of those products in which it has a comparative advantage. An authority in the area of export, observed that "tropical African which can produce certain tree or bush crop like palm fruit, cocoa, cotton, banana and citrus and certain field crop like groundnut and sugar comparatively cheap should be able to benefit by trading these product from those of temperate regions. This would apply particularly if the exchange were for manufacturing products where Nigeria lacked industrial capacity and were time provision of such capacity would have been both difficult and very expensive.

Nigeria is largely an agrarian economy even though petroleum is the mainstay of the economy and the largest contributor to her GDP, this so because export of agricultural product has been neglected for black gold. The contribution of research to export promotion cannot be overemphasized; the federal government of Nigeria played a leading role in this aspect. It aided the exporter by providing them with information regarding foreign market, the taste and preference of foreign consumer, it is also given a rebate of import duties to the export industries in order to reduce their tax burden and increase their competitiveness abroad.

Therefore major goal of exporting policies has been the promotion of non-oil export with a view to enhancing foreign exchange receipts from the sector and reduce independence on oil as a major source of revenue. A large number of incentives ranging from export insurance to outright grant to export oriented industries, as applicable to export manufacturers were articulated in Decree No. 18th of 11th of July in 1986. The effectiveness of these export promotion policy measures, the federal government provides institutional support for general and specific purpose through the

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Nigeria Export Promotion Council (NEPC) 1976, the Nigeria Export Import Bank (NEXIM) established January 1991, the Nigeria Export Processing Zone Authority (NEPZA) November 1991.
In a study of the Nigeria manufacturing sector finds a positive correlation between indices of export promotion policies and productivity growth across the Nigeria manufacturing sector. Export promotion policies can further be justified on the grounds that they may be used as a second best option to offset the anti-export bias in the economy rising from other policy interventions. Import restriction include a tariff and quantitative restriction, are a major cause of such bias. Also, export promotion is based on foreign exchange constraint. In developing countries like Nigeria, intermediate and capital goods import are not readily substitutable with domestically produced goods. Export earnings therefore provide the finance for developing countries to obtain these essential imports. The foreign exchange from export also compliments domestic investment activities. Exchange rate policy is very important in export promotion. Exchange rate uncertainty has a depressing effect on export. In effect an export promote country needs to maintain a stable and predictable exchange rate to promote exports.

This can be classified into two aspects
The North Americans as a group was the largest buyers of Nigeria crude oil followed by the countries of Western Europe, the share of Nigeria's crude oil to North America increased by 17.0% points to 51.8%. The export value increased from ₦2.0867 billion in 2004 to ₦3, 1680 billion. The export volume also increased from 408.9 million barrels to 427.3 million barrels. The share of Nigeria's total crude oil export to Western Europe increased from 13.1% in 2004 to 18.0% in 2005, however the value of Nigeria's crude oil export to Asia and far East rise from ₦899.7 billion in 1003 to ₦1,092 billion in 2005. The share of Asia as a group declined by 2.5% point to 17.7%, the value of crude oil export to African countries also increased. Although the volume declined at 6.4%, it remained low when compared with other regions.

Nigeria non-oil export to industrial countries stood at 62.1% while exports to non-African countries were 27.4%, 12.2% and 5.3% respectively, among the industrial countries. Italy accounted for 28.7% on a country by country basis; it remained the largest importer of Nigeria non-oil commodities account for 17.9% of total non-oil export, followed by the Netherlands with 16.2%. The value of non-oil export to other African countries remain relatively low compared with other region, non-oil exporter in the ECOWAS countries were valued at $75.0 million of the amount, Ghana recorded the largest share of import from Nigeria non-oil export market at $35.7 million. (Source: CBN Annual Report Statement of Account for the Year ended December 2005).
Banks in Nigeria have significantly contributed to export since the inception of the Central Bank of Nigeria (CBN) 1958 to date. Recently, the credit granted to exporters by the banking sector has increased, this in line with the amount of loans and advance, granted by commercial banks in Nigeria to exporters with increase from ₦102.4 in 1977 to about ₦747.1 million in 1990 and further to ₦111, 768.5 million by 2002, these indicated an overall increase in the credit given by bank generally to the external sector. This improvement in loan to export has been of most assistance to the sub-sector, even though it is said to be with respect to oil export.

Whether these loans and advance have been of much help to the non-oil sector or not cannot be ascertained, out it has been observed that Nigeria non-sector for many years now, has continued to deteriorate or decline. It was also observed that non-oil export earning in 1977 was just ₦557.9 million while earning from oil export was about ₦7, 070.0 million and more recently in 2002. Oil export earnings amounted to ₦541, 412.20 million while non-oil export realized only ₦26, 907.70 million. The Central Bank of Nigeria (CBN) has played a major role in promoting export trade by various means especially with use of its direct instrument of monetary policy. In 1979, it stipulated a mandatory credit allocation by commercial and merchant bank to the export sector, which has become a preferred sector by the year, this ranged from 3 and 6 percent for commercial bank and 3 and 4 percent for merchant bank in the period of 1979 – 1982. Further with the adoption of SAP in 1986, federal government promulgated the Export Incentive and Miscellaneous Provision Act 19. This Act enumerated a number of incentives to boost exports. Among other things, the Act mandated the CBN to provide a rediscounting facility on short term bill for exports so as not to scare investors and promote economic growth.

Conceptual Framework

Models of Export –Led Growth

The three main models of export-led growth that will be discussed are the neo classical supply – side model, the balance of payments constrained model which is also known as the Hicks super-multiplier model, and the virtuous circle model. This model shows the relationship between exports and growth, and assumes that the export sector confers externalities on the non-export sector, because of its exposure to foreign competition; and secondly that the export sector has a higher level of productivity than the non-export sector. Thus, the share of exports in GDP, and the growth of exports, matter for overall growth performance. Feder (1983) was the first to prove a formal model of this type to explain the relation between export growth and output growth. The output of the export growth sector is assumed to be a function of labour and capital in the sector, the output of the non-export sector is assumed to be a function of labour, capital and the output of the export sector (so as to capture externalities), and the ratio of respective marginal factor productivities in the two sector is assumed to deviate from unity by a factor d. Feder tests the model taking a cross section of 19 semi industrialized countries and a larger sample of 31 countries over the period1964-73. He finds that there are substantial differences in productivity between the export and non-export sector are also evidence of externalities. The externalities conferred are part of the dynamic gains from trade which are associated with the transmission and diffusion of new ideas from abroad relating to both production techniques and efficient management practices. The cross-section work on exports and growth assumes, however that all countries in a sample conform to the same model, with the same intercept and coefficient parameters linking exports and growth. In practice, this is highly unlikely to be the case; and it transpires, in fact, that when time series studies are conducted for individual countries, the relation between exports and growth is much weaker.

No country can grow faster than rate consistent with balance of payments equilibrium on current account in the long run, unless it can finance ever-growing deficits which, in general, it cannot. Ratios of deficit to GDP of more than 2%-3% to make the international financial markets nervous and all borrowing eventually have to be repaid. A country's balance of payments equilibrium growth rate can be modeled by stating the balance of payments equilibrium condition specifying

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multiplicative (constant elasticity) import and export demand functions in which imports and exports are a function of domestic and foreign income, respectively, and of relative prices, and substituting these functions in the equilibrium conditions. Since imports are a function of domestic income, the model can be easily solved for the growth of income consistent with balance of payments equilibrium. Nureldin-Hussain (1995) applied this model to Africa to contrast the experience of slow growing African countries with the faster growing countries of Asia over the period 1970-90. He uses an extended model which also includes terms of trade effects and the effects of capital flows. The major explanation of the difference in growth rates between Africa and Asia turns out to be the difference in the growth of exports. He finds that the average growth of the African countries, excluding oil exporters, was 3.4 percent per annum, and of the Asian countries 6.6 percent. The contribution of export growth in Africa was 1.99 percentage points and in Asia 5.91 percentage points.

Differences in capital flows and terms of trade movements made only a minor contribution to growth rate differences. Thus, he concluded that exports are unique as a growth inducing force from the demand side because it is the only component of demand that provides foreign exchange to pay for the import requirements for growth. In this sense, it allows all other components of demand to grow faster in a way that consumption-led growth or investment-led growth does not.

There is need to recognize the fact that export and growth may be interrelated in a cumulative process. This raises the questions of casualty; but more importantly, such model provide and explanation of why growth and development through trade tends to be concentrated in particular areas of the world, while other regions and countries have been left behind. These models provide a challenge to both orthodox growth theory and trade theory which predict the long run convergence of living standards across the world. A simple cumulative model, driven by exports as the major component of autonomous demand, is to assume that (i) output growth is a function of export growth, (ii)export growth is a function of price competitiveness and foreign income growth, (iii) price competitiveness is a function of wage growth and productivity growth, and (iv) productivity growth is a function of output growth (this is referred to as verdoorn law which works through static and dynamic returns to scale, including learning by doing). It is this induced productivity growth that makes the model circular and cumulative' since if fast output growth (caused by export growth) induces faster productivity growth this makes goods more competitive and therefore induces faster export growth. The verdoorn relation not only makes the model 'circular and cumulative'; but also gives rise to the possibility that once an economy obtains a growth advantage it will tend to keep it. Suppose, for example, that an economy obtains an advantage in the production of goods with a high income elasticity of demand in world markets, such as high technology goods, which raises its growth rate above other countries. Through the verdoorn effect, productivity growth will be higher and the economy will retain its competitive advantage in these goods, making it difficult, without protection or exceptional industrial enterprise, to establish the same commodities.

In such a cumulative model, it is the difference between the income elasticity characteristics of exports (and imports, if balance of payments equilibrium is a requirement as argued earlier) that is the essence of divergence between industrial and agricultural economies, or between centre and periphery. (Thirl Wall, 2000). From the ongoing, we can conclude that trade liberalization does

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not necessarily imply faster export growth, but impractical the two appear to be highly correlated. Impact of the liberalization on economic growth probably works mainly through improving efficiency and stimulating exports which have powerful effects on both supply and demand within an economy. There are several different measure of trade liberalization or trade orientation, and all studies seem to show a positive effect of liberalization on economic performance. Likewise there are several different studies of the relation between exports and growth and the evidence seem over whelming that the two are highly correlated in a causal sense, but the relative importance of the precise mechanisms by which export growth impacts on economic growth are not always easy to discern or qualify.

METHODOLOGY

Model Specification

MODEL 1

EXP = f (CPS, OPN, EXRT, INT)

Where

CPS = Credit to private sectors (loans and advances)

OPN = Openness of the economy

EXRT = Exchange rate

INT = Interest rate

Econometric specification

$EXP = \beta o + \beta_1 CBC + \beta_2 OPN + \beta_3 EXRT + \beta_4 INT + \mu$

Where, β_0 β_1 β_2 β_3 β_4 are the parameter of the model

μ is the error term

Method of Data Collection

This study used secondary source of data collection due to the nature of the study and the objective to be achieved. Commercial banks' credit (loans and advances), Export Trading, exchange rate and Export Trading as specified were extracted from the CBN statistical bulletin, and other relevant areas relating to the variable required.

Method of Data Analysis

This study made use of multiple regression analysis together with econometric software known as **EVIEWS 7** in estimation of the result.

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Table 1: Correlation Analysis

In examining the association among the variables, we employed the Pearson correlation coefficient (correlation matrix) and the results are presented in Table 4. 1.

	OPNES	EXRT	EXPRT	INRT	CPS
OPNES	1	0.632689	0.46323	0.346495	0.338558
EXRT	0.632689	1	0.835818	-0.07845	0.713585
EXPRT	0.46323	0.835818	1	-0.33558	0.939204
INRT	0.346495	-0.07845	-0.33558	1	-0.35708
CPS	0.338558	0.713585	0.939204	-0.35708	1

Source: Authors' computation, 2016

The correlation matrix analyses the degree of associations between the exogenous variables, this analysis is very important because it ascertains the chances of multi-collinearity in the exogenous variables selected for the study. The problem of multi-collinearity makes it very difficult to find out the specific influence of each exogenous variable on the endogenous variable. Very high coefficient of correlation between variables depicts the likelihood of multi-collinearity and very low coefficient of correlation between variables depicts otherwise. From the correlation matrix table, it is evident that the dependent and independents variable coefficient of correlation was 0.46 (46%) for openness in the economy, 0.83 (83%) for exchange rate, -0.33 (33%) for interest rateand 0.94(94%) for credit to private sector to the dependent variable export trade seems moderately high but incapable of triggering off the problem of multi-co linearity. However, it can be inferred from the upshot of the correlation matrix that the exogenous variables selected for this study are void of multi-colinearity.

Table 2: Analysis of Data

Table 4.1 OLS Regression estimate of the relationship between the dependent variable and independent variable

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1168.636	970.4254	1.204251	0.2393
CPS	0.713474	0.079268	9.000792	0
OPNES	18.56148	15.09117	1.229956	0.2297
EXRT	24.66269	6.49537	3.796965	0.0008
INRT	-105.15	56.4406	-1.86302	0.0738

Source: Authors' computation, 2016

$\mathbf{R^2}$ =0.945, $\mathbf{R^2}$=0.937, F- stat 112.9072 (0), Durbin-Watson stat 1.299

Log EXPRT = 1168.636+ 0.713474LogCPS+ 18.56148OPNES + 24.66269EXRT – 105.15 INRT

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(1.204251) (9.000792) (1.229956) (3.796965) (1.86302)

NB: The T values are in parenthesis.

From the regression results, the coefficient of determination $\mathbf{R^2}$andits adjusted counterpart $\mathbf{R^2}$of 0.945 and 0.937 respectively are high. $\mathbf{R^2}$ of 93.7% implies that 93.7% of the performance of the explanatory variables accounts for the performance of the dependent variables, while just 6.3% is accounted for by error term. This actually shows that the model has a good fit.However, the DW-STAT of 1.299 indicates the presence of the problem of serial correlation in the model. For a better result, an exact autocorrelation adjusted regression (AR) was adopted to resolve the identified problems. The results were able to correct the problem presented in the first test hence, finding in the AR results was basically different from the previous result.

TABLE 3: OLS Regression Estimate of the Relationship between the Dependent Variable and Independent Variables. EXACT AR (1)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1260.445	1412.769	0.892181	0.3812
CPS	0.677416	0.122642	5.523502	0
OPNES	10.46561	17.99349	0.581633	0.5662
EXRT	25.70389	9.55112	2.691192	0.0128
INRT	-85.6819	66.93306	-1.28011	0.2127
AR(1)	0.40737	0.222778	1.828591	0.0799

Source: Authors' computation, 2016

$\mathbf{R^2}$ =0.95, $\mathbf{R^2}$=0.94, F- stat 112.9072 (0), Durbin-Watson stat 1.84

Log EXPRT = 1168.636+ 0.713474LogCPS+ 18.56148OPNES + 24.66269EXRT – 105.15 INRT

(1.204251) (9.000792) (1.229956) (3.796965) (1.86302)

NB: The T values are in parenthesis.

From the regression results, the coefficient of determination $\mathbf{R^2}$and its adjusted counterpart $\mathbf{R^2}$of 0.95 and 0.94 respectively are high. Adjusted $\mathbf{R^2}$ of 0.94 implies that 94% of the performance of the explanatory variables accounts for the performance of the dependent variable, while just 6% is accounted for by error term. This actually shows that the model has a good fit. However, the DW-STAT of 1.84 indicates the absences of the problem of serial correlation in the model. Hence, the model is good for realistic estimates to be derived. Also, the F value of 112.9 at 5% level of significance shows that the model passes the generality test. In other words the explanatory variable put together are statistically significant at 5% level of significance, hence the model generally maintain the usefulness.

Summary of Findings

In this study, effort was made towards the determination of the impact of commercial bank credit (loans and advances) on the Nigeria export trade, taking into consideration the period from 1985 to 2013. To this end, the following findings are derived from the study:

There is a positive and significant relationship between credit provided to private sectors and export growth in Nigeria

There is a positive and significant relationship between openness of the economy and export growth in Nigeria

There is a positive and significant relationship between exchange rate and export growth in Nigeria

There is a positive and significant relationship between interest rate and export growth in Nigeria

Export trade is an integral part of international trade, it has to do with selling of goods and services to other countries (World Bank, 1993). International trade depends on some factors which Beck (2001) referred to as endowment factors which determine the flows of trade among countries. Kletzer and Bardhan (1987), Beck (2002, 2003) incorporated a financial sector in to the Hecsher Ohlin trade model and show that financial sector development in general and banking sector in particular gives countries a comparative advantage in industries that rely on external financing. Countries with better developed financial institutions such as banks and markets should therefore, have a comparative advantage in industries that rely relatively more on external finance.

Lack of bank credit (loan and advances) in our economy has brought about low rate of economic growth and diversification of most industries in Nigeria (Allen and Gale, 1994). The availability of bank credits to those in trade determines what is produced and how much of that product is produced. Therefore, commercial banks perform their important role of financial assistance in rendering important services by granting (loans and advances) to various sectors of the Nigerian economy (Gerschenkron 1962). Commercial banks support the economy by serving the credit needs of their customary and providing a safe place for the cash balance. Of individual credit activities on the export sector of the Nigerian economy, there are general statements which guide or channel actions in decision making about the export sector advance and investment of commercial bank.

CONCLUSION

The strategy brings about commercial bank granting loans and advances to exporters so as to improve export trade in the country. Interest rate, openness of the economy and exchange rate determine how far an exporter can go in accepting loans and advances from commercial banks
Export trade have earned substantial amount of foreign exchange for the country, especially when it comes to oil export, this has therefore, improved the Nigeria balance of payment and the level of the Nigeria economy. However, non-oil export has also contributed their own quota as part of foreign exchange earnings, but government should make more policy to promote the growth of non-oil export in the country especially the agricultural sector and banking sector should also

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encourage investors by granting greater percentage of credit (loans and advances) to the sector, in order for them to contribute more of foreign exchange resources and ensures slash export earnings in the country.

RECOMMENDATION

Based on the findings, the researcher recommended that:
The federal government with the help of Central Bank of Nigeria (CBN) should advise the commercial banks to increase the amount of credit given to exporters, in order to increase the level of the Nigeria export.
Government should adopt export development fund in order to assist private exporting companies financially so as to cover part of their initial expenses in respect of export product activities.
Commercial banks should be encouraged to continue to play the role of financial intermediation of channeling surplus from economic units to deficit in order to facilitate business transaction.
Also, other financial institutions like development bank should be encouraged through various disincentives by the Central Bank of Nigeria to give proportion of their funds in form of loans and advances to the exporting sectors of the economy so as to enhance the overall growth and development of the Nigerian economy.
Promotion of export free zone should be established in different part of the country, there must be an existing appropriate infrastructural facilities, access to reasonable priced skilled labour, political liability and space for the construction of export oriented factories, all of which are necessary to attract foreign investors
Establishment of export credit guarantee scheme and insurance scheme that will enable Nigeria exporters to compete effectively in the international market by making credit available to genius investors at concessionary rates was well as insuring them against some political and other risks including default in payment.
Government should create an enabling environment to encourage the export sector in order to serve as an engine of economic growth for the country.

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