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RESEARCH ARTICLE

REJUVENATING THE NIGERIAN ECONOMY: THE ROLE OF THE NON-OIL SECTOR

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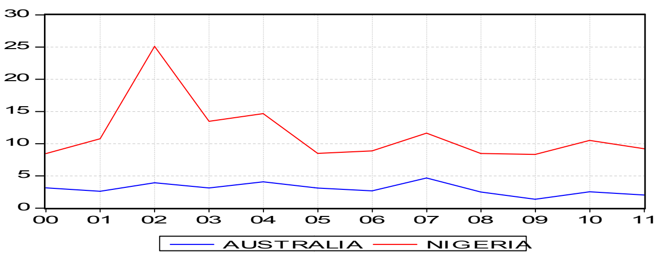
ABSTRACT

The non-oil sector in Nigeria is so disarticulated while it's sectoral linkage to the economy are so weak. Oil and gas dominate national output while the other manufacturing and production sectors that drives export in the economy is decidedly so small in terms of share of gross output, contribution to economic growth, foreign exchange earnings, government revenues and most importantly, employment generation. Descriptive statistics were applied to time series data spanning a period from 1961 to 2010 after testing for stationary to describe the performances of this sector in terms of revenue and contribution to GDP growth. Correlation and regression analysis were applied to highlight the relationship between GDP and certain identified non-oil sector variables and to ascertain the significant effect of these variables on economic growth. Findings reveal the non-oil sector in Nigeria is so insignificant that it contributes insignificantly to Nigeria's total federally collected revenue and economic growth.

INTRODUCTION

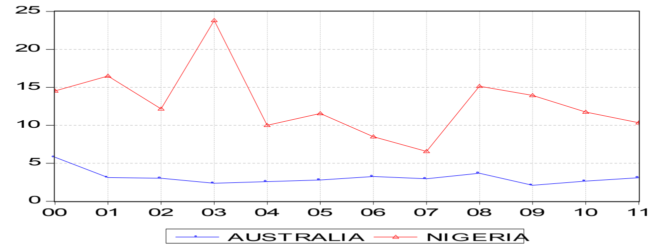
The Nigerian economy continues to struggle with a sustainable growth challenge that has hampered efforts at economic transformation. The economy is yet to achieve the necessary structural changes required to jump-start rapid and sustainable growth and development. The non-oil sector of the economy is so disarticulated and narrow while it's sectoral link age to the economy are very weak. Oil and gas dominate national output while the other manufacturing and production sector that drives export in the economy is decidedly so small in terms of share of gross output, contribution to growth, foreign exchange earnings, government revenues and most importantly, employment generation. The economy is also confronted with monumental challenges in the form of dilapidated and chronically non-functional infrastructure. The decay in the country's infrastructural base reflects decades of poor maintenance and weak technological base. The weak technological base is a consequence of low research and development efforts and disconnect between research findings and industry applications. Although the economy earned admirable GDP growth rates, averaging over 6.5 percent per annum between 2006 and 2011, this growth did not spawn corresponding employment nor resulted in attenuation of inflation and poverty as unemployment, inflation and poverty indices are still very high. A comparison of the Nigerian and Australian GDP and inflation sparks a nagging question, are these GDP growths modest? "Annual percentages of constant price GDP are year-on-year changes; the base year is country-specific (IMF, World Outlook, April 2012)". Expenditure-based GDP is total final expenditures at purchasers' prices (including the f.o.b. value of exports of goods and services), less the f.o.b. value of imports of goods and services (IMF, World Outlook, April 2012). Nigeria's GDP lie above the Australian's modest GDP growth rate at above 5% with the highest rate at 21.177% in 2002. In 2007, Australian's GDP has its highest growth rate at 4.67% just below 5% and Nigeria recorded 6.972% same year.



Source: Authors' calculation from IMF, World Outlook, (April 2012) Data.

Fig. 1: Gross Domestic Product, Constant Prices (Percent change)

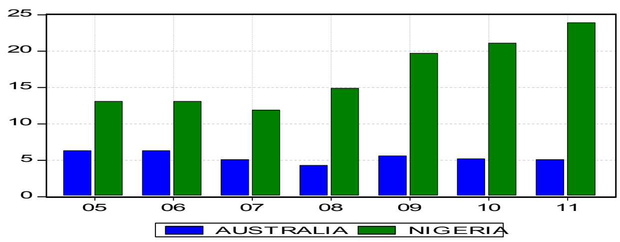
Blöndal, Bergvall, Hawkesworth and Deighton-Smith (2008) notes that Australia's outstanding economic performance is attributed to two principal factors: first, structural reforms starting in the mid 1980s, and reinforced subsequently, which transformed the economy; second, a prolonged boom in commodity demand and prices since 2003 – led by China, India and other developing countries – which is currently a major driver of national income growth and investment. Australia is a major commodity producer, including iron ore and metallurgical coal (both for steel), bauxite (for aluminum), thermal coal (for energy), uranium, lead, zinc, gold, silver, copper, crude oil and gas, and industrial diamonds whereas, Nigeria's major income earner is crude oil and the near monolithic nature of exports constitute additional challenges confronting the Nigerian economy. In 2010 and 2011, Nigeria recorded 7.976% and 7.719% GDP growth rate respectively while Australia recorded 2.544% and 2.035% in 2010 and 2011 respectively. The modest Australia GDP growth rate is confirmed by the low annual inflation rate while the Nigerian outrageous GDP growth rate is so questionable given the shown Fig.2 below.



Source: Authors' calculation from IMF, World Outlook, (April 2012) Data.

Fig. 2: Annual Inflation Rate for Nigeria and Australia

Inflation, end of period consumer prices (Percent change), annual percentages of end of period consumer prices are year-on-year changes (IMF, World Outlook, April 2012). Just like the GDP graphical representation above, Nigeria's inflation rate line lies above the Australian's inflation rate line. Nigeria achieved the lowest inflation rate in 2007 at 6.566% while recording the highest inflation rate of 23.811% in 2003. After 2007, the inflation rate for Nigeria rose to 15.148% in 2008 and has been on the fall afterwards to close at 10.333% in 2011. The question is, can a country with an inflation rate of above 10% record such an enviable GDP growth? Australia's inflation rate recorded the highest in the beginning of the period in 2000 at 5.802% and has been on the fall afterwards dropping to the lowest rate of 2.108% in 2009. It is noteworthy that Australia's economy never recorded inflation rate as high as 5.802% as recorded in 2000 in the remaining period under review.



Source: Authors' calculation from IMF, World Outlook, (April 2012) Data.

Fig. 3: Unemployment Rate for Nigeria and Australia

The bold bar chart depicts the contrast in unemployment rate between Nigeria and Australia. As a matter of fact, Australia had the highest unemployment rate of 6.3% in 2005 and 2006 while recording the lowest unemployment rate of 4.3% in 2008. Nigeria recorded a double digit, continuous rising unemployment rate hitting an all-time high rate of 23.90% in 2011 assuming the figures as furnished by Nigerian authorities are modest. Whereas unemployment in Australia has been on the decrease and on an average of 5% throughout the reviewed period Nigerian unemployment rate has been on the increase. Also, growth rates of the non-oil output remains so low and unsatisfactory. Concomitantly, there has been gradual decline in the level of competitiveness of the Nigerian economy to the extent that the country has become one of the least competitive economies in the world all over. Over the last five years, certain changes have taken place in the structure of output in the economy, prominent among which is the liberalisation of the telecommunications sector which has witnessed explosive employment opportunity. The non-oil sector of the Nigerian economy can generally be described as those groups of economic activities which are outside the petroleum and gas industry or not directly linked to them. These include: telecommunication services; financial sector services; tourism service; trade; Health services; agricultural activities; mineral activities; power; other manufacturing sectors etc. Each of these activities consists of various businesses which engage a large chunk of the population. When viewed from this background, the general assumption that the non-oil sector refers to agricultural and mineral activities is misplaced and makes the assessment of the sector narrow. The reason for this assumption is, however, understood because exports which provide the major tool for the assessment of the performance of the non-oil sector and its competitiveness against global market requirements, is dominated by the agricultural products such as cocoa, cashew, sesame seed, ginger, gum Arabic, shrimps, cotton and rubber. The dominance of this sector by agriculture has led to the neglect of the mineral sub-sector which has the potential to run second to petroleum in terms of revenue earnings. Informed by the monolithic economy since 1980's which has been persistently threatened by the instability in crude oil prices in the international market , government has come to terms with the growing need for economic diversification. This economic transformation has become necessary to address the challenges of rising unemployment and social crisis by expanding the horizon of employment generating activities especially in the non-oil sector where the potentials remain great and largely unexploited. The objective of this paper is to highlight the contribution of this sector to economic growth in the past and the dire need for Government to revamp it as it has the potentials of sustaining Nigeria economically. This paper is structured into four sections. Section one presents the introduction, while section two reviews related literature. The performance of the economy from 1961 to 2010 is analysed in section three. Finally, section four sketches prospects and recommendations.

Review of Related Literature

After fifty two years of political independence, the Nigerian economy remains weak, narrow and externally-oriented with crude oil and gas driving earning. Since the late 1960s the Nigerian economy has been based mainly on the petroleum industry. With the advent of oil in the 1970s a series of increases in the international oil price generated substantial revenues for the economy. Nigeria's early independence years had seen an industrial strategy that relied heavily on import substitution. At first this had appeared to work relatively well, with the share of manufacturing to GDP increasing from 2 per cent in 1957 to 7 per cent in 1967 (Utomi, 1998). However, a devastating result of the oil price boom was the stagnation of the non-oil sector. As a result exports of cash crops like palm oil, peanuts and cotton declined rapidly while other natural resources were ignored.

The effect of the global financial crisis of September 2008 especially on the Nigerian economy showed a little painful experience of over-independence on oil. As pointed out by Ekpiwhre (2008) in Adebile (2010), it had its unforgettable effect on Nigeria oil prices as oil prices fell below $50 a barrel from its peak of $147 a barrel in July 2008. Given that Nigeria depends precariously on oil revenues, pressures from the expectation that oil prices could slide further down forced the federal government to reduce the 2009 budget benchmark to $45 per barrel (Business Day, 2008) in Bimbola (2010). This is because more than 85% of the monthly allocations to federal, state and local governments are derived from oil revenues and the resultant effect of falling oil prices is the reduction in the amount of monthly allocation and hence the devastating effect on the Nigerian economy.

Historically, Nigeria's export involvement before the discovery of crude petroleum (oil) in the early 1950s was centered on the country's traditional agriculture, mining and other related products. The products constituted Nigerian main export products then, and provided about 85% of total export earnings and accounted for not less than 63 percent of the country's Gross Domestic Products as at 1960 (Opara, 2010). The importance of the non-oil sector led to the setting up of the Nigerian Export Promotion Council noting that the promoting of non-oil export products will bring about reduction on the nation's level of dependence on the dominance of crude oil or what can be describe as, ''mono-cultural foreign trade product'' that averagely racked in over 80% foreign earnings since 1970s. The mono-cultural economy can be a thing of the past if the export economic potentials of Nigeria are sincerely and usefully harnessed. It is in the recognition of the significance of non-oil export to a nation that Nigeria government made exporting of the country's non-oil products, a major key element of its structural adjustment program (SAP) in 1986 (Opara, 2010). Other strategic importance of non-oil export to the Nigerian economy as pointed out by (Opara, 2010) includes:

i. The export of non-oil products increase the foreign exchange earning of the country, through the export of Nigerian products to other countries, Nigeria earns foreign exchange which assist in the financing of other economic sector of the nation.
ii. The earned foreign exchange enables the country to fulfill its international financial obligations.
iii. Export of non-oil products create employment and reduce un-employment problem in the country. The exporting company can at least keep the present employees, without the fear of creating further unemployment pressure in the country.
iv. The living standard of the people in the exporting country will improve, or be better when compared to countries that do not export (all things being equal).
v. The export of non-oil products brings about increase in sales and profits to firms that export market their products. However, it does not always follow that export marketing bring about increase in profit, because increase in sale is relative to selling price, cost of production and other costs.
vi. Foreign trade may also improve product quality, and reduction in production cost, which may be brought about by mass production for export.
vii. Business expansion is another benefit that results from export marketing. Firms may consider the expansion of its production line, and other business activities as a result of the company's involvement in foreign trade.
viii. Recognition and Reputation of firms may also be enhanced when quality, quantity, and reliability of the firm are considerably improved as the firm successfully engages in export marketing.

It is important to state that all the above discussed benefits that may accrue to Nigerian firms that engage in non-oil export (although not exhaustive), are by extension beneficial to the country where the exporting products are destined/consumed, and will have positive "spread effect" on both countries' economies and the well-being of the citizens. Onwualu(2009), identified 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 to the non-oil sector.
- Weak Institutional framework - general to the non-oil sector.
- Poor Access to finance – general to the non-oil sector.

Opara (2010) studied export marketing as a viable facilitator that can impact or transform the socio-economic activity of Nigeria for a meaningful development. He appreciates the strategic importance of Non-Oil export to Nigeria economy, the immense opportunities and benefits that exist in Non-Oil export, and the fact that Nigerian firms have comparative potential advantages to export certain non-oil products to both developing and developed countries. Opara (2010) also analysed the challenges that impact on Nigerian firms' export involvement; and concluded that Nigerian firms' non-oil export involvement is the most viable alternative to oil (crude-petroleum) as a realistic economic transformation catalyst and potential sustainer of Nigeria economic development.

Adebile and Amusan (2012) examined the contribution of Non-Oil export to the Nigeria economy and in particular the contribution of cocoa export as a viable facilitator to the transformation of the socio-economic activity of Nigeria for a meaningful development. It emphasizes the immense opportunities and benefits that exist in Non-Oil exports and the fact that Nigeria's dependence on the oil export as a major contributor to the country's GDP (gross domestic product) poses a threat to the continued sustenance of the GDP. The study also investigated the trend of cocoa beans export over some regime changes and found that inconsistent policies and inadequate attention given to the agricultural sector is not in the best interest of the country. It observes that investment in cocoa production is likely to boost the GDP and will also offer employment opportunities to the citizenry. They concluded that Nigeria's involvement in the non-oil export is the most viable alternative to oil as a realistic economic focus and potential sustainer of Nigeria economic development. Efobi and Osabuohien (2011) studied the Promotion of Non-Oil Export in Nigeria through an empirical assessment of agricultural credit guarantee scheme fund. The Agricultural Credit Guarantee Scheme Fund (ACGSF) was established in 1977 with the aim of enhancing commercial banks' loans to the agricultural sector in Nigeria with focus on agro-allied and agricultural production. Many years down the line, the country has witnessed poor participation in the international market with regards to non-oil export. The above stance was assessed with a view to establishing interaction between ACGSF and non-oil export using the Vector Auto-Regressive (VAR) technique. The study found, among others, that there exist a long-run relationship between the ACGSF and export, but the magnitudeis minimal. Efobi and Osabuohien (2011) therefore recommended, inter alia, that adequate infrastructural and storage facilities, which increase the shelf-life of agricultural outputs are needed to improve non-oil exports in Nigeria.

From the foregoing, studies have agreed that the Nigerian non-oil sector is great economic booster but suffers from enormous long-term neglect. Unless challenges especially the monotony of government revenue, depletion of foreign exchange earnings and the external reserves arising from downturn in crude oil fortunes in the international oil market, the inactive of the non-oil sector are addressed properly, one wonders the level of progress the Nigerian economy would make in the years ahead. Nigeria needs to move away from an unbalanced growth model reliant on a range of sector and ever-increasing government spending. Nigeria needs to grow sustainably economically. A new approach to growth requires a new attitude in Government. Government on its own cannot create growth as growth is the decisions of business leaders, entrepreneurs and individual workers which build our economy.

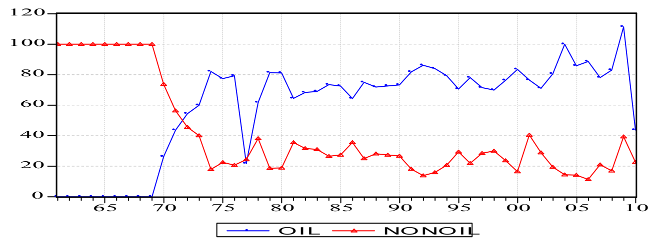
METHODOLOGY

The non-oil sector of the Nigerian economy can generally be described as those groups of economic activities which are outside the petroleum and gas industry or not directly linked to them. The dominance of the non-oil sector by agriculture has led to the neglect of the other sub-sectors making up the sector which has the potential to run second to petroleum in terms of revenue earnings and economic sustainability if properly harnessed. Therefore, this study covers all other sectors of the Nigerian economy excluding only the oil sector. The non-oil sector of the Nigerian economy can generally be described as those groups of economic activities which are outside the petroleum and gas industry or not directly linked to them. These include: telecommunication services; financial sector services; tourism service; trade; Health services; agricultural activities; mineral activities; power; other manufacturing sectors etc. Each of these activities consists of various businesses which engage a large chunk of the population. When viewed from this background, the general assumption that the non-oil sector refers to agricultural and mineral activities is misplaced and makes the assessment of the sector narrow. The reason for this assumption is, however, understood because exports which provide the major tool for the assessment of the performance of the non-oil sector and its competitiveness against global market requirements, is dominated by the agricultural products.

Descriptive statistics were applied to time series data spanning a period from 1961 to 2010 after testing for stationarity to describe the performances of this sector in terms of revenue and contribution to GDP growth. Correlation and regression analysis were applied to highlight the relationship between GDP and certain identified non-oil sector variables and to ascertain the significant effect of these variables on economic growth.

DISCUSSION OF FINDINGS

The Central Bank of Nigeria Statistical Bulletin 2010 provided the total federally collected revenue accruing from the oil and non-oil sectors of Nigerian economy. A study of the revenue earnings showed that the Nigerian economy was substantially sustained from 1961 to 1969 with earnings from the Non-oil sector. This finding is supported from the graphical representation of oil and non-oil revenue as a percentage of total federally collected revenue as depicted in fig. 1 below which shows non-oil revenue sustaining Nigerian economy 100% wholly between 1961 and 1969. An interesting fact in this period is that while the economy was wholly sustained by non-oil revenue GDP as at this time averaged about 3%, a modest growth index indeed.



Source: Authors' Computation from CBN Statistical Bulletin, 2010 Data.

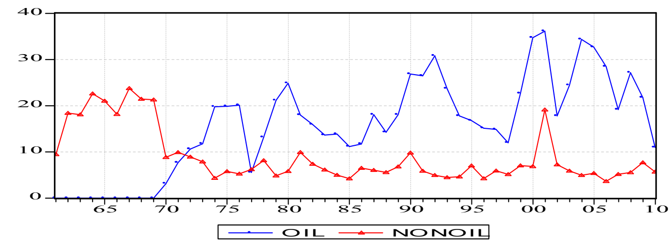
Fig. 4: Oil and Non-Oil Revenue as % of Total Federally Collected Revenue

With the discovery of oil in 1969, by 1970 oil contributed 26.28% of the total federally collected revenue while non-oil revenue contributed the balance of 73.72% to the total federally collected revenue. Afterwards, non-oil revenue contribution to federally collected revenue recorded a steady decline and recording the worst decline in to 11.35831% 2006 while oil revenue contributed 88.641%. In 2001, the non-oil contribution to total federally collected revenue stood at 40.48496%. In 2009, non-oil revenue contributed 39.375% to the total federally collected revenue, a 28.02% boost from the 2006 revenue contribution. However, in 2010 the end of the period, the contribution of the non-oil sector to total federally collected revenue declined to 22.62%. It is noteworthy, that from the advent of oil, oil took the center stage and the non-oil sector was relegated to the background greatly.

Table 1. Total Federal Revenue and Nominal GDP, 1961 – 1969

Yrs	Oil Rev	Non-Oil Rev In ₦ Million	Total Fed Rev In ₦ Million	Nominal GDP	LognGDP	RORTFR In %	RNORTFR In %
1961	0	223.65	223.65	2,361.20	3.373133	0	100
1962	0	477.7	477.7	2,597.60	3.414572	0	100
1963	0	498.19	498.19	2,755.80	3.440248	0	100
1964	0	654.34	654.34	2,894.40	3.461559	0	100
1965	0	654.34	654.34	3,110.00	3.49276	0	100
1966	0	612.88	612.88	3,374.80	3.528248	0	100
1967	0	654.34	654.34	2,752.60	3.439743	0	100
1968	0	569.53	569.53	2,656.20	3.424261	0	100
1969	0	755.96	755.96	3,549.30	3.550143	0	100

Source: CBN Statistical Bulletin, 2010.
Where: RORTFR = Ratio of Oil Revenue to Total Federal Collected Revenue.
RNORTFR = Ratio of Non-Oil Revenue to Total Federal Collected Revenue.

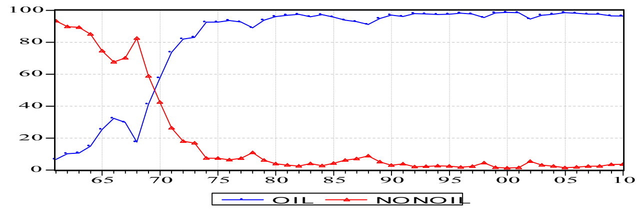


Source: Authors' Computation from CBN Statistical Bulletin, 2010 Data.

Fig. 5: Graphical Representation of Oil and Non-Oil Revenue as a % of Nominal GDP.

A look at Fig. 2 above reveals that due to non-advent of oil between the period of 1961 to 1969 there was no contribution of oil to GDP and hence 0%. However, during this period, non-oil revenue contributed immensely to GDP with the highest ratios of non-oil to GDP between 1961 and 1969 standing at 22.61%, 21.04%, 23.77%, 21.44% and 21.29% for 1964, 1965, 1967, 1968 and 1969 respectively and hence dropped serially until 2001 when non-oil revenue contributed 19.12% to GDP. In 2005, the contribution of non-oil to GDP slowed down to the lowest ebb of 3.65%. Therefore, apart from 2006, non-oil revenue contribution to GDP never reached 10% while closing the period at 7.69% and 5.68% in 2009 and 2010 respectively. With the coming on board of oil in 1970, oil revenue contributed a meager 3.15% to GDP but recorded significant increases throughout the period under review as all focus was on it.

In 2001, the contribution of oil to GDP hit an all-time high of 36.14% but dropped steadily afterwards such that in 2008, 2009 and 2010 it contributed 27.16%, 21.76% and 10.97% respectively probably because of the global economic crises that resulted in the fall of crude oil prices. Given the importance of export to economic growth, we graphically presented the contribution of oil and non-oil export to total export and GDP.



Source: Authors' computation from data from CBN Statistical Bulletin, 2010.

Fig. 6: Contribution of Oil and Non-Oil Export to Total Export in %.

The fig above at a glance shows a sharp contrast between oil and non-oil export contribution to total export. While the oil export to total export ratio averaged 95% from 1975 to 2010, the contribution of non-oil export to total export averaged 2% from 1975 to 2010, what a significant contrast? In 1961, non-oil export contributed a whopping 93.35% but fell steadily afterwards to the extent that in 1996 it contributed only 1.78% to Nigeria's total export for the first time. The lowest ratio of non-oil export to total export was recorded in 2000 at 1.28%, but then picked up to 5.43% in 2002.

Table 2: Correlations Result

Variables	NLGDP	OILEXGDP	NONOILEXGDP	PORGDP	PNORGDP
NLGDP	1.000000				
ROILEXGDP	0.855660	1.000000			
RNONOILEXGDP	-0.709835	-0.749980	1.000000		
RORGDP	0.742393	0.836180	-0.786311	1.000000	
RNORGDP	-0.566264	-0.607634	0.842890	-0.595271	1.000000

Source: Authors' Eview 3.1 output.
Where: NLGDP: Natural log GDP. ROILEXGDP: Ratio of oil export to GDP. RNONOILEXGDP: Ratio of non-oil export to GDP. RORGDP: Ratio of oil revenue to GDP. RNORGDP: Ratio of non-oil revenue to GDP

Table 3: Regression Result

Dependent Variable: NLGDP
Method: Least Squares
Date: 10/06/12 Time: 14:08
Sample: 1961 2010
Included observations: 50

Variable	Coefficient	Std. Error	t-Statistic	Prob.
OILEXGDP	0.071111	0.013835	5.140063	0.0000
NONOILEXGDP	-0.061605	0.058069	-1.060893	0.2944
PORGDP	-0.000262	0.020360	-0.012889	0.9898
PNORGDP	0.011480	0.033841	0.339217	0.7360
C	3.619029	0.430610	8.404426	0.0000
R-squared	0.743431	Mean dependent var		5.215839
Adjusted R-squared	0.720624	S.D. dependent var		1.351587
S.E. of regression	0.714395	Akaike info criterion		2.259877
Sum squared resid	22.96619	Schwarz criterion		2.451080
Log likelihood	-51.49693	F-statistic		32.59779
Durbin-Watson stat	0.594580	Prob(F-statistic)		0.000000

Source: Authors' Eview 3.1 output.

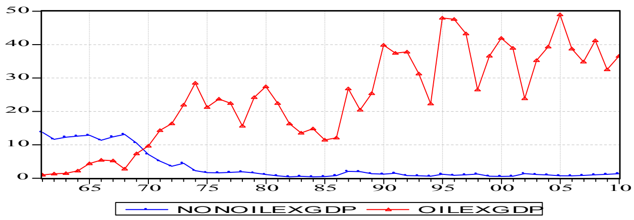
Table 4: Pairwise Granger Causality Tests

Date: 10/07/12 Time: 12:07
Sample: 1961 2010
Lags: 2

Null Hypothesis:	Obs	F-Statistic	Probability
NONOILEXGDP does not Granger Cause NLGDP	48	0.71691	0.49400
NLGDP does not Granger Cause NONOILEXGDP		1.77206	0.18217
OILEXGDP does not Granger Cause NLGDP	48	0.20367	0.81651
NLGDP does not Granger Cause OILEXGDP		4.52060	0.01652

Source: Authors' Eview 3.1 Output.

However, non-oil export contribution to total export seems to be beginning to pick up as it recorded a steady rise from 2.40%, 2.44%, 3.46% and 3.59% in 2007, 2008, 2009 and 2010 respectively. In other words, the ratio of non-oil export to total export contributes insignificantly to total export. These findings are supported with the findings of the contribution of oil and non-oil export to GDP as depicted in fig.5 below.



Source: Authors' computation from data from CBN Statistical Bulletin, 2010

Fig. 7.Contribution of Oil and Non-Oil Export GDP in %.

While the contribution of oil export to GDP recorded only 0.98% in 1961, oil export contributed 49.00% in 2005 to GDP. However, because of the global financial crises in 2008, oil export contribution to GDP fell from 41.22% to 32.54% in 2009 while climbing to 36.55% in 2010. On the other hand, the contribution of non-oil export to GDP was the opposite of the oil export contribution to GDP. From the graph, non-oil export to GDP ratio declined from 13.72% in 1961 to 0.414% in 1982 and afterwards averaged 1% throughout the remaining of the period to 2010. This confirms that non-oil export contributed insignificantly to GDP. However, from 2007, the contribution of non-oil export to GDP recorded a steady growth ranging from 0.86%, 1.03%, 1.16% and 1.36% in 2008, 2009 and 2010 respectively. Having descriptively seen how the oil and non-oil revenues interact with the country's total export and GDP, it becomes important to find out how our choice variables related with the country's GDP.

The correlation shows varying degree of relationship between GDP and our choice variables. GDP have a strong relationship of about 85.56% and 74.23% with Ratio of oil export to GDP and Ratio of oil revenue to GDP confirming the strong relationships as shown in fig. 6 and fig. 7 showing that they are the bedrock of Nigeria income. Also, the correlation result confirms the negative relationships between GDP and Ratio of non-oil export to GDP and Ratio of non-oil revenue to GDP as shown in fig. 6 and fig. 7.The negative relationships are also strong at 70.98% and 56.62% respectively indicating that these variables contribute almost nothing to Nigeria' GDP. After testing for time series stationarity using the Philips-Perron unit root statistics, the regression result above confirms that ratio of oil export to GDP impacts vehemently on GDP as its t-statistics 5.14 > 2 (the critical value). This result is further strengthened with the probability value of 0.000 < 0.05 the significance level. The regression result further proves our positive effect apriori expectation of ratio of non-oil export to GDP and ratio of non-oil revenue to GDP wrong and suggests that the two variables do not impact on Nigeria's GDP. Therefore, the ratio of non-oil export to GDP and ratio of non-oil revenue to GDP do not impact on Nigeria's GDP. Overall, our regression suggests that 74% of the variations in our dependent variable GDP are explained by our independent variables and the overall model is significant. The above regression results are confirmed by our Granger Causality presented below. With probability of F-Statistic of 0.49 and 0.18 > 0.05, we accept the null hypothesis that NONOILEXGDP does not Granger Cause NLGDP and that NLGDP does not Granger Cause NONOILEXGDP.

Conclusions and Recommendations

The non-oil sector is not the main driver of the Nigerian economy. However, the economic potentials of the sector are great and the resources remain largely untapped. Nigeria's abundant potentials in human and natural resources (solid minerals, agricultural commodities and manufacturing) are veritable areas of investment, which would guarantee sustainable development, because of their capabilities in providing wealth, create jobs and alleviate poverty. Various empirical evidences in this paper have shown that the non-oil sector have not been significant and does not contribute to GDP growth. Oil has been driving the economy over non-oil sector even in the face of recession. Agriculture remains one unbeatable area of economic strength in non-oil sector and its potentials is still largely untapped in the areas of irrigation farming, storage, processing, value adding, packaging and marketing. If optimally developed, the agricultural sector alone in Nigeria would drive immense sustainable economic growth just like in the years of 1961 to 1969 before the advent of oil. The mineral sector is still not sufficiently developed and continued to contribute insignificantly to GDP. Analyses have revealed also that Nigerian economy is a one sector driven; that the non-oil sector is almost non-existent in Nigeria. Evidences have shown that the countries referred to as developed economies are largely driven by the non-oil sector. Such countries are heavily industrialised whereas agriculture and other manufacturing is their major income earner.

Blöndal, Bergvall, Hawkes worth and Deighton-Smith (2008) noted that Australia's outstanding economic performance in Australia is attributed to two principal factors: first, structural reforms starting in the mid1980s, and reinforced subsequently, which transformed the economy; second, a prolonged boom in commodity demand and prices since 2003 – led by China, India and other developing countries – which is currently a major driver of national income growth and investment. Apart from crude oil and gas, Australia is a major commodity producer, including iron ore and metallurgical coal (both for steel), bauxite (for aluminum), thermal coal (for energy), uranium, lead, zinc, gold, silver, copper, and industrial diamonds However, in Nigeria, the reverse is the case and Nigeria depends solely on crude oil and gas and the question is, how can Nigeria develop with such a scenario? Sustainable development such as that of Australia is better achieved with the non-oil sectors heavily industrialize a nation thereby contributing modestly to economic growth. A meaningfully and significantly economic growth that drives away unemployment and high inflation rate, ensuring low interest rate that transcends to the citizenry. Such industrialization increases a modest GDP growth that will reflect in overall infrastructure, reduce poverty and increase the general well-being of citizens.

Given the above, this paper recommends as follows;

- Government policies and incentives which have key roles to play in enhancing the growth of the non-oil sector while technology and innovation which are critical in ensuring that the sector remains globally competitive need to be encouraged;

- The non-oil sector requires to be given greater attention particularly in the for malisation of informal mining activities;
- Structural reforms started in1986 need to be reviewed and reinforced subsequently in other to transform Nigerian economy; a longed boom in commodity supply needs to be stimulated;
- Improve and expansion of the current state of infrastructures across the country;
- Elimination of unnecessary bottlenecks blocking the ease access of finance to the operations of the SMEs which constitute the bulk of the non-oil sector of the economy;
- Introduction of venture capital: Venture Capital is one source of non-bank financing, which is quite prevalent in developed financial markets for small or start-up firms (Keuschnigg 1998). Venture Capitalists are organized providers of financing for winning but risky business proposals by small and medium firms that have a promising but as yet unproven idea, if the Venture Capitalists are convinced that a business idea is promising, they will take an ownership stake in the business (Memba, Gakure Karanja, 2012);
- The introduction of a special stimulus package to encourage investments in the non-oil sector of the economy, with particular emphasis on the mineral sector where huge capital requirement has continued to discourage investment.

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