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The Contribution of Nigerian Export-Import (NEXIM) Bank Towards Export (Non-Oil) Growth in Nigeria (1990-2005)

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Abstract: This study is in respect of the Nigerian economy and covers a period of fifteen years, 1990-2005, also, the activities of the Nigerian export-import bank is evaluated to highlight its contribution to export growth performance in Nigeria. Data for the study was sourced from various issues of the federal office of statistics publication, Central Bank of Nigeria (CBN) publications, International Financial Statistics (IFS) by International Monetary Fund, Annual reports and statement of accounts of the Nigerian export-import bank (NEXIM). The study takes into cognizance the simple econometric analysis model, using the ordinary least square (OLS) method of estimation. This is because the model analysis is relevant when studying complicated economies such as Nigeria because of her structural and institutional rigidities. Available data suggest that non-oil exports performances during these periods remained less than satisfactory, as evidenced with high sensitivity of prevailing levels of exporters' transparency or lack of it. Since, there are valid reasons to believe that some export transactions might have been omitted as exporters sought to gain from a relatively speculative environment with large arbitrage opportunities, a verdict of unsatisfactory non-oil export performance in particular and total export in Nigerian ever since and inspite of introduction of various policies, should be regarded with some circumspection.

Key words: Nigerian export-import, contribution, export growth, performance, Nigeria

INTRODUCTION

The introduction of the Nigerian export-import bank (NEXIM), became important when it was obvious that export promotion programmes instituted by such agencies as the Nigerian export promotion council, export processing zone, tax subsidy programme, concessionary financing programme and export credit guarantee scheme, lacked the credit to finance agricultural development and local investment.

NEXIM started its operation with a share capital of N500 m in 1991 and their statutory functions were as follows:

- Provide export credit guarantee and export insurance facilities to non-oil exporters.
- Provide credit in local currency to support exports.
- Maintain a foreign exchange revolving fund for lending to exporters who need to import foreign inputs to facilitate export production.
- Provide domestic trade with insurance to assist exports.
- Establish and manage funds connected with exports.

While, arguments for or against the role of export in economic growth ranges on, several empirical studies corroborates the assertion that export is an engine of growth in most economies of the world. Flemming (1962) demonstrated the overall effects of external trade as depending on the differences between export and imports, also for exchange product market and money market, concluding by emphasizing the adequate mixture of trade and exchange rate policy, fiscal and monetary policy, as a prerequisite for rapid economic growth and development.

Oyejide (1975) confirmed the positive relationships that exist between export and economic growth. Fosu (1991) ascertained a highly significant and positive relationship between export and output growth rates. Ayodele (1997) opined in his study that export success contributes to economic growth. By and large, it has been largely held by a good number of development

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economists that trade is an engine of growth. In other words, trade (export) enhances growth of an economy.

MODEL SPECIFICATION

The behaviour of the Nigerian non-oil sector is of paramount importance in this study. So, the emphasis lies on total non-oil export, demand and supply function of non-oil export of the world market. Six stochastic equations which specify the manner which an economic variable responds to changes in other variables, that includes random disturbances are estimated in this study.

The supply function is the basis of the first equation, bearing in mind that non-oil export is influenced and determined by world prices. Note that, in as much as higher prices of cocoa (tonners) bring about more supply to the world market, ceteris paribus, total supply of non-oil export to the world market depends on total non-oil output in an economy.

Supply functional form can be expressed as:

$$NEX_t = P_{WR} + NGDP - \Delta X_R$$

Where,
NEX_t : Non-oil export.
P_{WR} : Average World price.
NGDP : Non-oil output
(₦M) : ΔX_R real exchange rate.

Linearizing the supply functions, it becomes:

$$NEX_t = \theta_0 + \theta_1 P_{WR} + \theta_2 NGDP + \theta_3 \Delta X_3 + U_t \quad (1)$$

Where,
NEX_t : Non-oil export.
P_{WR} : Average world price.
NGDP : Non-oil output (₦M).
X_R : Real exchange rate; Ut error term.

Real exchange rate can be determine by;

$$\frac{P_{WR}}{CPI} - X \frac{NER}{1}$$

Where,
CPI : Consumer price index.
NER : Nominal effective exchanges rate.

If Eq. 1 is expressed further to accommodate per capital non-oil expert, the estimation becomes;

$$\frac{NEX_P}{P_{OP}} = \theta_0 + \theta_1 \frac{NGDP}{P_{OP}} + \theta_2 \frac{P_{WP}}{P_{OP}} - \theta_3 \Delta \frac{X_{RP}}{P_{OP}} + U_t \quad (2)$$

Where,
NEX_t : Per capital non-oil export (NM).
NGDP : Per capital non-oil output (NM).
P_{WR} : Per capital world price.
ΔX_3 : Per capital foreign exchange inflows.
U_t : Error term.
P_{OP} : Total population.

When Eq. 2 is logged elasticities is measured in terms of world prices index (PW), non-oil GDP (NGDP) and real exchange rate (ΔXR) given rise to Eq. 3; such that;

$$\text{Log } NEX_t - \log \theta_0 \log P_W + \theta_2 \log NGDP - \theta_3 \log \Delta X_t + U_t \quad (3)$$

Where,
Log NEX_t : Log of non-oil export.
Log p_W : World price index.
Log NGDP : Log of non-oil output.
Log Δx_t : Log of real exchange inflows.
U_t : Error term.

The log of per capital non-oil exports can also be taken, such that:

$$\text{Log}\frac{NEX_P}{P_{OP}} = \theta_0 + \theta_1 \log \frac{NGDP}{P_{OP}} - \theta_2 \frac{\Delta X_{RP}}{P_{OP}} + U_t \quad (4)$$

Where,
Log NEXP : Log of per capital non-oil export.
Log NGDP : Log of per capital non-oil output.
Log ΔX_R : Log of per capital foreign exchange inflow.
U_t : Error term.

If the logarithm of per capital non-oil export is expressed in both non-oil export and real exchange rates and world price is determined, exogenously. The analytical comparison of both Eq. 2 and 4 can be determined, so that apriori expectation sign for non-oil output is positive and negative in the case of real exchange rates.

This is in line with Titilola (1997) who stated that total production of major producing and exporting nations will have a negative effect on export. In essence, exports are affected by exchange rates, since low value of naira will result to more export, while high value reduces it. This deduction leads to the 5th Eq., which is the export function, stated as:

$$X_P = \beta_O + \beta_1 P_W + \beta_2 \Delta X_t + \ell_t \quad (5)$$

Where,

ΔX_R : Total export (₦M).
P_W : Average world Price index.
ΔX_R : Exchange rate.
$l_1|$: Error term.

Equation (6) is the demand functional form, which is estimated as a response function at the world market. Quantity value of non-oil export demanded in a given year is dependent in prices in the previous year. A prior expectation signs have positive effect on the world market.

$$NEX_T = \alpha_0 + \alpha_1 P_{wt-1} + \alpha_2 x_{t-1.} x \alpha_3 Tm + U_t \quad (6)$$

where,

NEX_T : Non-oil export in a given year.
P_{wt-1} : Average world price index in the Previous year.
X_{t-1} : Total export in the previous year.
Tm-range : Time (which captures changes in production as a result in technological change and other factors like professionalism).
U_t : Error term.

The impact of structural adjustment programme (SAP) is measured by the introduction of dummy variables in all the equation, in as much as the logarithms are used to assess the speed of adjustments SAP's contribution depends on the intereactions of the coefficients employed. If the coefficient interactions are positive and greater than zero, SAP is said to have a significant impact on export growth performance.

CONTRIBUTION OF NEXIM BANK TOWARDS EXPORT (NON-OIL) GROWTH IN NIGERIA 1990-2005

The mission statement of NEXIM is stated thus: to become an efficient, responsive, first class commercially-oriented and export stimulating institutions committed to bringing about export-led recovery, as well as a culture of self inspired and sustained exporting in Nigeria.

Little, wonder, the banks operational activities can be classified under specified facilities provided.

ADB (African Development Bank) export stimulation loans (1990-2005): The Nigerian Export-Import Bank (NEXIM) was first referred to as the Export Guarantee and Insurance Corporation. Its first prominent task was the bearing of about US245 million dollar export stimulation loan disbursed through 41 merchant banks and 21 commercial banks to 124 export oriented projects in areas such as cocoa, rubber trawling, food processing and garment manufacturing, Table 1. Cocoa processing assumed the largest percentage share with 27.06%; followed by trashing with 16.98%; oil seed processing 14% of loans and 19 benefiting projects Table1. Food processing took 4.99% of the loan with just 8 benefiting projects. As a result NEXIM bank has become the predominant source of short-term trade financing provided for the non-oil export sector, with banking system providing less than 9% from their resources in 1993 (Table 2).

Between 1990 to 2005 NEXIM has been a consistently rising trend for short term credit provision of about 35% in 1990, 70% in 1991, close to 90% in 1992 and over 91% in 1993.

Table 2 shows the value of non-oil export growth during the period under review, ₦3259.6 million in 1990; ₦4677.2 million in 1991; ₦4227.8 million in 1992 and ₦5022.3 million in 1993.

Export credit rediscounting and refinancing facility (PRF): This facility is designed to assist banks to provide pre-and post shipment finance in local currency in support of non-oil export. This is to enable exporters' access to the expanded export portfolio of banks at preferential rate.

The trend of disbursement under this scheme was ₦137.2 million in 1990; ₦2,098.9 million in 1991; ₦2,871.2 million in 1992 and ₦3,026.7. million in 1993.

Cocoa product and rubber products had the largest share in percentage of credit between 1990 and 1994, cocoa having a share of whopping 54.3% in 990;

Table 1: disbursement under ADB/Export stimulations loan

Types of activity	Amount disbursed (USD)	Percentage share	Numbers of benefiting project
Coca processing	70.92	27.06	13
Rubber processing	12.72	4.85	16
Oil seed processing	37.18	14.19	19
Food processing	13.08	4.99	8
Wood processing	7.01	2.69	6
Heather processing	1.67	0.64	3
Trawling	44.50	16.98	19
Textile and garment	26.55	10.13	10
Manufacturing and Minning	3.60	1.37	1
Chemical pharmaceuticals	25.07	9.57	10
Metal fabrication	4.88	1.86	7
Cosmetics	8.62	3.29	6
Plastic	1.67	0.64	4
Pulp and paper	4.60	1.76	2
Total	262.07	100.0	124

Table 2: NEXIM's export credit rediscounting and refinancing facility to banks product

Commodity	Amt(NM)	Share (%)	Amt(NM)	Share(%)	Amt(NM)	Share(%)	Amt(NM)	Share(%)
Coca product	744.81	54.3	983.0	46.9	690.0	24.0	758.7	25.1
Rubber product	253.8	18.5	472.0	20.4	716.1	25.0	655.3	21.6
Cotton product	70.6	5.2	239.62	11.4	254.6	8.8	332.3	11.0
Shrimps	84.3	6.1	170.9	8.1	470.2	16.4	328.8	10.9
Cashew nut (oil)	16.0	1.2	18.4	1.0	91.2	3.2	169.1	5.6
Component	33.8	2.5	3.6	0.2	30.0	10	149.6	4.9
Hives & slin	20.3	1.5	77.3	3.7	157.6	5.5	138.5	4.6
Paml product	55.5	4.0	82.0	3.9	123.7	4.3	117.4	3.9
Gun Arabic	8.2	0.6	2.9	0.1	49.2	1.7	514.0	1.7
Others	29.89	6.1	49.18	4.4	288.1	1.1	137.0	10.7
Total	1317.2	100.0	2098.9	100.0	2871.2	100.0	3026.7	100.0

Table 3a: Disbursements under the stocking facility

Commodity	Quantity stocked (tons)	Amount disbursed (NM)
Cocoa beans	4883	63.0
Rubbers	3,340	17.2
Palm kernel	25,000	90.2

Table 3b: Disbursements under the total amount

Years	Total disbursement (NM)
1990	90.2
1991	249.1
1992	281.5
1993	328.0
1994	366.4
1995	432.7
1996	478.3
1997	523.8
1998	579.0
1999	621.3
2000	552.7
2001	433.6
2002	401.5
2003	322.9
2004	352.6
2005	376.4

Source: NEXIM

46.9% in 1991; 25.1% in 1993. It was only in 1992 that cocoa had 24.0% rubber 25.0%. Shrimps have 6.1% share of the credit in 1990; 8.1% in 1991; 16.4% in 1992 but fell to 10.4% in 1993.

Foreign input facility: This facility was created in 1991, to the export sector with immediate foreign exchange requirement needed for importation of raw materials, packaging materials and capital equipment needed for production of goods meant for export. It is made available in foreign currency and repayable in foreign exchange.

The sum of 94 million US dollars was disbursed in 1991 for which cocoa processing accounted for 29.2 million US dollar representing 29.4% share. Textiles had a share of 18.6%, followed by trawling with 14.7% of the total disbursement, while chemicals had 0.3%.

In 1992, total loans available for disbursement reduced drastically from 99.3 million US dollars to 26.9 million 21.3% went to cocoa processing, oil seed 5 million US dollars (18.6%), rubber processing had the least share with about 400, 000 dollars (1.3%). In 1993, the loan facility reached its lowest, with just 2 million (700 thousand US dollars) as total disbursement; petroleum drilling took 2 million dollars (74.1%), leaving just 700,000 dollars to be shared among the remaining products, with 11.1% as well to leather.

Stocking facility: Created in 1991, Table 3 (a) and (b). This facilities was made available by NEXIM, in local currency to enable producers of exportable goods to procure adequate local raw materials (seasonal) needed to keep their production at optimal levels particularly when such raw materials are scarce.

Manufacturers are expected to produce a ware house warrant, insurance policy on goods and a letter of hypothecation giving rights to the goods to the bank through which the facility is disbursed in order to benefit from this facility. It is available for a maximum feature of a year.

In 1991, cocoa beans had 4.883 tonnes quantity stocked with N63 million disbursement, rubber 3,340 tonnes quantity stocked with ₦17.2 million, while palm kernel had 25,000 tonnes quantity stocked with ₦10 million. Also, raw material stocking worth N249.1 was granted in 1992 through 17 banks for the procurement of cocoa beans, rubber, palm kernel, cotton, lint, raw skin and cashew nuts. In 1993, ₦281.5 million were granted for the procurement of the same baskets of goods as in 1992, cocoa topping the list of items stocked, with a share of ₦120.3 million or 42.7% of total disbursement. Overall assessment of NEXIM Within the periods under review (1990-2005), it could be noted tat the effort of NEXIM is towards export promotion, this can be confirmed with the available information provided thus far.

However, available data suggest that non-oil exports performances during these periods remained less than satisfactory, as evidenced with high sensitivity of prevailing levels of exporters' transparency or lack of it. Since, there are valid reasons to believe that some export transactions might have been omitted as exporters sought to gain from a relatively speculative environment with large arbitrage opportunities, a verdict of unsatisfactory

non-oil export performance in particular and total export in Nigerian ever since and inspite of introduction of various policies, should be regarded with some circumspection.

The reasons for this uninspiring results in spite of dogged efforts at tapping the hitherto potentials could be briefly enumerated thus:

- The problem associated with export production Low world price.
- High market and product concentration.
- Existence of burdensome levies and charges.
- Poor marketing knowledge as a result of poor communication networks.
- Discouraging trade polices in buyer countries.
- Uncomplimentary macro-economic policies within the economy.
- Inadequate trade-facilitating stoical infrastructures.
- Emerging diplomatic now and internal socio-political imbroglio that often culminated into conspiratory trade relation.

With these problems, notwithstanding, the enhancement of values added non- oil exports is gaining ground with the activities of NEXIM (Table 4-6).

The introduction of various facilities aimed at enhancing and upgrading the value of non-oil export by NEXIM, has created avenue for improving the quality and their price as well.

Table 3 equally, indicate another promising area in the Nigerian exports over the years, shipping service rising significant by 68%, chemical export e.g., urea, although not termed as a non-oil export in Nigerian, gave a bright future in chemical exports.

Table 4: NEXIM's outstanding export credit (short-term), as a proportion of total outstanding banking export credit

Years	NEXIM outstanding export credit (NM)	Total banking outstan- ding export credit	2 as a % of 3
1990	418.6	1215.7	34.4
1991	942.5	1449.2	60.8
1992	1457.0	1682.6	86.6
1993	1574.0	1727.1	91.1
1994	2.639.8	1956.8	95.1
1995	2,033.4	4,580.0	101.3
1996	2,978.3	7,557.0	113.2
1997	5,300.0	10,528.2	118.1
1998	8,790.3	9.409.3	90.4
1999	10,138.4	8.841.7	56.6
2000	4,570.9	14,293.5	73.4
2001	6,866.3	14,293.5	81.3
2002	21,767.3	21,767.2	88.1
2003	3.035.8	15,189.8	73.3
2004	7,036.6	32,556.1	93.5
2005	5,883.7	78,556.1	98.6

Table 5: The enhancement of values of non-oil export by NEXIM's

Commodity	Amt(NM)	Share (%)	Amt(₦M)	Share (%)	Amt(₦M)	Share (%)
Cocoa processing	29.2	29.4	5.7	21.3	0.3	11.1
Food processing	8.3	8.4	1.9	7.1	0.2	7.4
Oil seed processing	11.9.	12.0	5.0	11.6	-	-
Rubber processing	6.4	6.5	0.4	1.3	-	-
World processing (oil)	3.7	3.7	-	-	-	-
Trashing	14.6	14.7	3.6	13.4	-	-
Chemical	0.3	0.3	-	-	-	-
Plastic	-	-	1.0	3.7	-	-
Cosmetic	0.8	0.8	0.8	3.0	-	-
Heather	-	-	-	-	0.2	7.4
Minning	11	1.1	-	-	-	-
Textile	18.5	18.6	1.0	3.7	-	-
Quarrying	4.5	4.5	1.0	3.7	-	-
Petroleum	-	-	5.0	18.6	2.0	74.1
Agro-allied	-	-	2.5	9.3	-	-
Total	99.3	100	26.9	100.0	2.7	100.0

Table 6: The enhancement of values of non-oil export by NEXIM's

Commodity	Actual receipts (USD (M)	Actual receipts (USD(M)
Total private Sector receipts	1281.3	15551.7
Non-oil export receipts	289.0	264.8
Services	372.4	628.1
Miscellaneous	619.9	658.0

Source: CBN foreign trade exchange policy measures

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