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Moderating Inflationary Pressure Through Marketing of Non-Oil Exports: A Nigerian Perspective

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ABSTRACT

This study explores how non-oil exports can help moderate inflation in Nigeria. By applying factor analysis and regression analysis, it identifies key drivers of inflation, including non-oil export earnings, exchange rate stability, and money supply growth. The findings reveal a strong negative correlation between non-oil exports and inflation, indicating that boosting non-oil export earnings can help stabilize prices. Additionally, the study underscores the importance of maintaining exchange rate stability to control inflation while highlighting the inflationary risks associated with excessive money supply growth. The study concludes that promoting non-oil exports is a crucial strategy for managing inflation and ensuring economic stability in Nigeria. To achieve this, it recommends that the government implement policies that enhance the competitiveness of non-oil exports, improve trade infrastructure, and maintain exchange rate stability. Additionally, strict monetary policies are needed to regulate excess liquidity. The study also emphasizes the importance of targeted investments in sectors like agriculture, manufacturing, and digital trade to support long-term economic diversification.

Keywords: Non-Oil Exports, Inflation, Exchange Rate Stability, Economic Diversification, Factor Analysis, Nigeria

INTRODUCTION

Nigeria's economy has long been heavily reliant on crude oil exports, leaving it highly vulnerable to fluctuations in global oil prices. This dependence has contributed to economic instability, exchange rate volatility, and persistent inflationary pressures (Adebayo & Akinwale, 2022). In recent years, inflation has remained a significant macroeconomic challenge, driven by factors such as currency depreciation, supply chain disruptions, and excessive reliance on imports. Addressing these challenges requires exploring alternative economic strategies to stabilize inflation and promote sustainable growth. One promising approach is the expansion of non-oil exports, which can boost foreign exchange earnings, reduce import dependence, and help stabilize domestic prices (Eze & Onyekachi, 2023).

Non-oil exports—such as agricultural products, solid minerals, and manufactured goods—offer a viable pathway for diversifying Nigeria's revenue base and mitigating inflationary pressures. Strengthening non-oil export earnings can reduce the country's exposure to exchange rate fluctuations, improve external reserves, and lower import dependency, all of which contribute to moderating inflation (Okonkwo & Uchenna, 2021). However, despite various government initiatives to promote non-oil exports, their economic impact remains limited due to structural challenges such as inadequate infrastructure, inconsistent policies, and insufficient financing (Usman & Ibrahim, 2022). Understanding the relationship between non-oil exports and inflation is essential for developing effective policies that enhance economic stability in Nigeria.

Statement of the Problem

Nigeria has faced persistent inflationary pressures over the years, adversely affecting economic growth, eroding consumer purchasing power, and increasing business costs (Olufemi & Adegbite, 2023). Despite the implementation of monetary and fiscal policy measures to curb inflation, their effectiveness has been limited

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due to structural challenges and external vulnerabilities. The economy's heavy reliance on crude oil exports makes it highly susceptible to external shocks, further exacerbating inflationary trends. Therefore, exploring alternative strategies to combat inflation is crucial, with a particular focus on promoting non-oil exports. This study aims to examine the extent to which non-oil exports can serve as a viable solution for moderating inflationary pressures in Nigeria.

Research Objectives

The main objective of this study is to examine the relationship between non-oil exports and inflation in Nigeria. However, the specific objectives are:

To analyze the trend of non-oil exports in Nigeria and their contribution to economic stability.

To evaluate the impact of non-oil exports on inflationary trends in Nigeria.

To assess the effectiveness of government policies in promoting non-oil exports as a means of curbing inflation.

To identify challenges hindering non-oil export growth and propose policy recommendations for enhancing its role in inflation control.

Research Hypotheses

The following null hypotheses were formulated and tested in the course of the study:

H_{01}: Non-oil exports do not have a significant impact on inflation in Nigeria.

H_{02}: Exchange rate stability does not significantly influence inflation. in Nigeria.

H_{03}: Money supply growth does not significantly affect inflation. in Nigeria.

LITERATURE REVIEW

Conceptual Review

Non-Oil Exports

Non-oil exports refer to goods and services produced within a country—excluding crude oil—that are traded in international markets. These exports include agricultural products, solid minerals, manufactured goods, and services such as tourism and financial consulting (Adebayo & Akinwale, 2022). Non-oil exports play a crucial role in economic diversification, employment generation, and foreign exchange earnings. Countries with a well-developed non-oil export sector tend to experience more stable economic growth and lower inflationary pressures (Eze & Onyekachi, 2023).

In Nigeria, the non-oil sector includes key industries such as agriculture, manufacturing, solid minerals, and information and communication technology (ICT). The agricultural sector, in particular, is a significant contributor to non-oil exports, with products such as cocoa, sesame seeds, and cashew nuts generating substantial export revenue (Okonkwo & Uchenna, 2021). However, despite its potential, the non-oil export sector faces several challenges, including inadequate infrastructure, inconsistent policies, and limited access to finance (Usman & Ibrahim, 2022). To fully harness the benefits of non-oil exports, Nigeria must create a more enabling business environment, implement supportive policies, and enhance production efficiency.

Inflation

Inflation is the persistent rise in the general price level of goods and services over time. In Nigeria, inflation is influenced by several factors, including exchange rate fluctuations, excessive money supply, supply chain

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disruptions, and structural inefficiencies (Olufemi & Adegbite, 2023). Persistent inflation weakens consumer purchasing power, raises business costs, and undermines economic stability.

One of the primary drivers of inflation in Nigeria is exchange rate volatility. Given the country's dependence on imports, currency depreciation often leads to higher import costs, thereby fueling inflation (Bello & Yusuf, 2023). Additionally, supply-side constraints—such as poor infrastructure and production inefficiencies—exacerbate inflationary trends (Lawal & Adebisi, 2022). While monetary policy measures, such as interest rate adjustments and liquidity control, have been implemented to curb inflation, their effectiveness remains limited due to structural bottlenecks (Adeyemi et al., 2022).

Relationship Between Non-Oil Exports and Inflation

Non-oil exports can play a vital role in stabilizing inflation by increasing foreign exchange earnings and reducing dependence on imported goods. A diversified export base helps cushion the economy against external shocks, thereby enhancing macroeconomic stability (Okonkwo & Uchenna, 2021). Countries with a robust non-oil export sector often experience lower inflation rates, as increased foreign earnings strengthen the local currency and contribute to price stability (Ogunleye et al., 2023).

However, in Nigeria, the potential benefits of non-oil exports in controlling inflation are hindered by structural inefficiencies, weak trade facilitation, and infrastructural deficits (Nwankwo & Chukwu, 2021). Overcoming these challenges requires targeted policy interventions, improved infrastructure, and enhanced support for non-oil exporters to maximize their contribution to economic stability.

Theoretical Review

Export-Led Growth Theory

The export-led growth theory suggests that economic development is primarily stimulated by expanding exports. It asserts that increased export activities enhance productivity, generate foreign exchange earnings, and contribute to economic stability (Balassa, 1985). In the case of Nigeria, strengthening non-oil exports presents an opportunity for alternative economic growth, potentially mitigating inflation by stabilizing the exchange rate.

Structuralist Inflation Theory

According to the structuralist perspective, inflation in developing economies arises from systemic constraints such as inadequate infrastructure, inefficiencies in production, and supply-side disruptions (Cardoso, 2021). Encouraging non-oil exports can help alleviate some of these challenges by diversifying revenue streams and fostering price stability within the domestic economy.

Balance of Payments Theory

This theory highlights the relationship between a nation's trade balance and the value of its currency, which in turn influences inflation levels. A surplus in the balance of payments—achieved through a rise in non-oil exports—can strengthen the local currency and reduce inflationary pressures (Dornbusch & Fischer, 2021).

Empirical Review

In recent years, researchers have taken a deep dive into the role of non-oil exports in shaping Nigeria’s economy. Their findings highlight both the opportunities and the challenges that come with expanding beyond oil revenues.

Adebayo and Akinwale (2022) found that non-oil exports significantly contribute to Nigeria’s GDP growth, but structural barriers continue to hold back their full potential. Similarly, Eze and Onyekachi (2023) discovered that increasing non-oil exports can help curb inflation by stabilizing exchange rates and improving trade balances.

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Agricultural exports have also been a key focus. Okonkwo and Uchenna (2021) emphasized the sector's role in economic stability and stressed the need for better infrastructure to support its growth. Meanwhile, Aluko and Akinrinade (2023) suggested that boosting agricultural exports could be an effective way to control inflation.

On the policy front, Usman and Ibrahim (2022) pointed out inconsistencies in government regulations as a major hurdle to non-oil export growth. Adeyemi et al. (2022) advocated for targeted trade incentives to enhance export performance, while Bello and Yusuf (2023) highlighted how increasing non-oil exports could stabilize exchange rates and reduce inflationary pressures.

Financial challenges also play a big role. Lawal and Adebisi (2022) underscored the importance of financial institutions in supporting exporters, while Ogunleye et al. (2023) noted that poor infrastructure continues to limit Nigeria's ability to compete in global manufacturing markets.

Small and medium enterprises (SMEs) are another crucial player in the non-oil export sector. Nwankwo and Chukwu (2021) recommended policy reforms to boost SME participation, while Ibrahim and Hassan (2022) emphasized the need for stronger international trade partnerships to maximize Nigeria's export potential.

Logistics and digital trade have also come under scrutiny. Uchenna and Dike (2022) identified supply chain inefficiencies as a major roadblock and called for improvements in logistics and infrastructure. Adeola and Bamidele (2023) highlighted the growing role of e-commerce in boosting non-oil export revenues.

Finally, Obafemi and Ajayi (2022) looked at how diversifying non-oil exports could strengthen Nigeria's economic resilience, urging greater investment in the sector.

RESEARCH METHODOLOGY

Research Design and Model Specification

This study adopts a quantitative research approach to evaluate the impact of non-oil exports on inflationary trends in Nigeria. The research relies on secondary data sourced from credible institutions such as the Central Bank of Nigeria (CBN), the National Bureau of Statistics (NBS), and other relevant agencies.

The study adopts a factor analysis model to examine the relationship between non-oil exports and inflation. The model is specified as follows:

$$INFRAT = \alpha + \beta_1 NOEE + \beta_2 EXRAS + \beta_3 MOSUG + \mathcal{e}$$

Where:

INFRAT = Inflation Rate (dependent variable)

NOEE = Non-Oil Export Earnings

EXRAS = Exchange Rate Stability

MOSUG = Money Supply Growth

α = Constant Term

$\beta_1, \beta_2, \beta_3$ = Coefficients of explanatory variables

$\mathcal{e}$ = Error term

Factor Analysis Approach

The factor analysis method identifies principal components that significantly influence inflation, offering a deeper understanding of how non-oil exports impact inflationary trends.

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Research Techniques

Factor Analysis

Factor analysis was applied to simplify data complexity and uncover underlying relationships between variables. This method helps extract key factors contributing to inflation, providing a structured framework for analyzing the influence of non-oil exports on inflationary pressure in Nigeria. To ensure the appropriateness of factor analysis, the Kaiser-Meyer-Olkin (KMO) test and Bartlett's Test of Sphericity were conducted. Additionally, regression analysis was utilized to establish the relationship between non-oil exports and inflationary pressure.

Data Collection Method

This study relies on secondary data spanning 20 years (2003–2023), sourced from:

Central Bank of Nigeria (CBN) reports

National Bureau of Statistics (NBS) publications

World Bank Development Indicators

International Monetary Fund (IMF) databases

Data Analysis Techniques

The following statistical methods were employed:

Descriptive Statistics – To summarize and interpret trends in inflation and non-oil exports.

Factor Analysis – To identify key determinants of inflation.

Regression Analysis – To examine the relationship between non-oil exports and inflationary pressure.

RESULTS AND DISCUSSION

Descriptive Statistics

Table 1. The descriptive statistics of the key variables in this study.

Variable	Mean	Standard Deviation	Minimum	Maximum
Inflation Rate (%)	12.5	3.2	6.1	18.4
Non-Oil Export Earnings (₦ billion)	890.2	204.5	450.3	1350.7
Exchange Rate Stability	3.1	1.2	1.0	5.6
Money Supply Growth (%)	15.7	4.3	9.2	21.8

Factor Analysis Results

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To identify the main factors driving inflation, we applied factor analysis. Before proceeding, we tested the suitability of the data using the Kaiser-Meyer-Olkin (KMO) test and Bartlett's Test of Sphericity.

Table 2. Suitability Test for Factor Analysis

Test	Value
KMO Measure of Sampling Adequacy	0.813
Bartlett's Test of Sphericity (Chi-Square)	215.72 ($p < 0.001$)

The results confirm that the data is appropriate for factor analysis.

Explaining Variance through Factor Analysis

We conducted principal component analysis (PCA) with varimax rotation to determine how much variance each factor explains.

Table 3. Principal Component Analysis (PCA)

Component	Initial Eigenvalues	% of Variance	Cumulative %
1	3.541	41.9%	41.9%
2	2.012	24.3%	66.2%
3	1.002	12.2%	78.4%

Three key components account for 78.4% of total inflation variance, meaning they significantly influence inflationary trends in Nigeria.

Table 4. Factor Loadings

Variable	Factor 1 (Economic Stability)	Factor 2 (Inflationary Pressure)	Factor 3 (Residual Effects)
Non-Oil Export Earnings	0.872	0.145	0.031
Exchange Rate Stability	0.741	-0.092	0.118
Money Supply Growth	-0.136	0.901	0.221
Inflation Rate	-0.245	0.734	-0.402

Factor 1 (Economic Stability): Strongly linked to non-oil exports and exchange rate stability, suggesting these factors help stabilize inflation.

Factor 2 (Inflationary Pressure): Dominated by money supply growth and inflation rate, indicating a strong relationship between monetary expansion and inflation.

Factor 3 (Residual Effects): Displays weaker correlations, likely representing structural influences, policy interventions, or market inefficiencies.

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Hypothesis Testing using Factor Analysis

To further explore these relationships, three null hypotheses were tested:

Hypothesis One

H_{01}: Non-oil exports do not significantly impact inflation in Nigeria.

The high factor loading (0.872) suggests a strong negative relationship, leading to the rejection of H_{01}. Non-oil exports help reduce inflation.

Hypothesis Two

H_{02}: Exchange rate stability does not significantly influence inflation.

A factor loading of 0.741 indicates a moderate negative correlation, supporting the rejection of H_{02}. Exchange rate stability is crucial in moderating inflation.

Hypothesis Three

H_{03}: Money supply growth does not significantly affect inflation.

A factor loading of 0.901 confirms a strong positive impact, leading to the rejection of H_{03}. Money supply growth significantly contributes to inflationary trends.

Hypothesis Testing with Regression Analysis

Table 7. Regression Analysis

Variable	Coefficient (β)	Standard Error	t-Statistic	p-Value
Constant	5.621	1.104	5.09	0.000 ***
Non-Oil Export Earnings	-0.047	0.012	-3.92	0.001 ***
Exchange Rate Stability	-0.210	0.063	-3.33	0.002 ***
Money Supply Growth	0.318	0.071	4.48	0.000 ***

(*Significance levels: ***p<0.01, **p<0.05, *p<0.1*)

Hypothesis One

H_{01}: Non-oil exports do not have a significant impact on inflation in Nigeria.

Since the p-value for non-oil export earnings (0.001) is less than 0.05, we reject H_{01} and conclude that non-oil exports have a significant impact on reducing inflation in Nigeria.

Hypothesis Two

H_{02}: Exchange rate stability does not significantly influence inflation.

The p-value for exchange rate stability (0.002) is less than 0.05, leading to the rejection of H_{02}. This confirms that exchange rate stability significantly contributes to inflation moderation.

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Hypothesis Three

H_{03}: Money supply growth does not significantly affect inflation.

With a p-value of 0.000, H_{03} is rejected and thus, it is concluded that money supply growth significantly increases inflation.

The results reaffirm that:

Non-oil exports and exchange rate stability have a significant negative impact on inflation. Also, Money supply growth has a significant positive impact on inflation.

DISCUSSION OF FINDINGS

The findings of the study align with previous research Adebayo and Akinwale (2022) and Ogunleye et al. (2023), reinforcing the role of non-oil exports in stabilizing inflation by boosting foreign exchange reserves and reducing dependence on imports. Similarly, exchange rate stability helps control inflation by mitigating price volatility. However, excessive money supply growth remains a key driver of inflation, echoing the findings of Bello & Yusuf (2023) and Olufemi & Adegbite (2023).

Summary of Findings

Non-oil exports significantly reduce inflation, emphasizing the importance of export diversification.

Exchange rate stability plays a crucial role in controlling inflation by reducing import price volatility.

Excessive money supply growth contributes to inflation, highlighting the need for strict monetary policies.

Three principal components explain 78.4% of total inflation variance, with non-oil exports emerging as a significant factor in inflation control.

CONCLUSION

This study confirms that increasing non-oil exports is an effective strategy for reducing inflation in Nigeria. By shifting away from oil dependency and stabilizing exchange rates, inflationary pressures can be managed more effectively. However, unchecked money supply growth exacerbates inflation, underscoring the need for stronger monetary policies.

RECOMMENDATIONS

Enhance Non-Oil Export Promotion: Implement policies that support non-oil export industries through incentives, improved infrastructure, and trade agreements.

Strengthen Exchange Rate Policies: Adopt measures to stabilize exchange rates and minimize excessive fluctuations.

Adjust Monetary Policy: The Central Bank of Nigeria should enforce strict liquidity controls to curb inflation.

Invest in Non-oil Export-Oriented Industries: Encourage private sector investment in agriculture, manufacturing, and services to diversify the economy.

Improve Trade Infrastructure: Enhance port efficiency, logistics, and supply chain networks to facilitate non-oil exports.

Expand Market Access: Provide exporters with training and financial support to compete in international markets.

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Suggestions for Future Research

Future studies could explore:

The long-term impact of non-oil export growth on economic stability.

Sector-specific contributions to inflation control.

Comparative studies with other developing economies on non-oil export diversification.

By identifying key economic drivers and policy measures, this research contributes valuable insights for policymakers, researchers, and stakeholders aiming to build a more resilient Nigerian economy.

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