

The Effect of Deposit Money Banks' Export Financing on Foreign Trade in Nigeria

Irimiya, Solomon Reuben (Corresponding Author) 07039114420

Other Authors: MAHOULE, Precious Kinnin-Rawlings; EGEGWU, Roseline Ene; DAKUM, Nanret Augustine; IYAM, Blessing Afe; JAMES, Simi Slyvia; OHIMAMOJE, Ezra Felix; SALAWU, Blessing Anahyl; AYUBA, Sandra Kefas; YUSUF, Joshua John

Department of Banking and Finance, Faculty of Management Sciences,
University of Jos.

ABSTRACT

Nigeria's non-oil exports' poor performance and ongoing trade deficit have sparked questions about the sufficiency of the financial assistance available to exporters, especially by the banking industry. The desire to comprehend how commercial banks use export financing methods to boost international trade is what motivated this study. This study examined the effect of commercial bank export financing on Nigeria's foreign trade. The study adopted ex-post facto research design and data were sourced using secondary means. Time series data was generated from the CBN Statistical Bulletin and NBS reports with 44 years' time scope spanning from 1981-2024. This study employed descriptive statistics, Stationarity Test (ADF Unit Root Test), Lag Length Selection, ARDL Long-Run and Bounds Test Result, Heteroskedasticity Test (Breusch-Pagan Test) based on the E-views 10 statistical software. The empirical result showed that commercial bank export financing has a significant effect on Nigeria's imports, exports and balance of trade in the long run as shown by the p-values of 0.0000, 0.0001 and 0.0088 respectively while commercial bank export financing has no significant effect on Nigeria's trade openness in the long run as indicated by p-value 0.5604 at 5% level of significance. The study recommended among others that government should strengthen export financing schemes like the Nigerian Export-Import Bank (NEXIM), with strict guidelines to ensure that funds are directed only toward activities that promote local production for export, not for financing import-dependent businesses. Finally, Nigerian government should prioritize sectors with high export potential, such as agro-processing, textiles, and solid minerals. This result challenges the assumption that financing alone drives openness, suggesting institutional quality plays a stronger role, as highlighted in contemporary trade theories.

1.0 INTRODUCTION

Globally, trade's role in promoting economic growth has drawn more attention from academic and policy communities. External finance, including export credit, trade finance, and workingcapital support, has been linked to firms' ability to sustain export growth, especially during shocks. It is one of the strategies used by both developed and emerging nations to improve their export performance and to enable exporters to manufacture, sell, and transport goods to foreign markets, (Organization for Economic Co-operation and Development [OECD],

2021). This strategy reduces risks, increases liquidity, and boosts competitiveness, especially for exporters working in circumstances with little capital. Across the globe, countries such as China, the United States, Germany, and South Korea have institutionalized export financing schemes through export credit agencies (ECAs) to sustain their trade surpluses and global market presence. For instance, the U.S. Export-Import Bank and China's Export-Import Bank have significantly contributed to the internationalization of their respective economies, which is conceptually linked to trade openness as it reflects the extent to which economies integrate into global markets by providing billions of dollars in trade finance (Akoto & Adjasi, 2021). According to Felbermayr and Yotov (2019), export credit programs have a measurable impact on trade volumes and economic growth, especially in developing economies where access to credit remains limited.

Foreign trade in Nigeria is a major component of the economy, contributing approximately 64% to the country's Gross Domestic Product (GDP) as of 2024, reflecting the nation's deep engagement in global trade, particularly in goods and services. In 2023, Nigeria recorded total exports of about USD 55.8 billion and imports of USD 47.7 billion, resulting in a trade surplus of over USD 8 billion. Data for 2024 indicates continued growth, with total trade reaching ₦138 trillion, comprising ₦77.4 trillion in exports and ₦60.6 trillion in imports, yielding a trade surplus of ₦16.8 trillion (Jones et al., 2025). However, the country's non-oil export sector remains underdeveloped, partly due to limited access to export finance. Nigeria has attempted to bridge this gap through various initiatives such as the establishment of the Nigerian Export-Import Bank (NEXIM), export expansion grants (EEG), and credit guarantees for exporters. These schemes are intended to boost non-oil exports and improve Nigeria's balance of trade. Nonetheless, challenges such as insufficient funding, high default rates, and bureaucratic bottlenecks have constrained their effectiveness (Chinda & Nyeche, 2024). Additionally, the balance of trade (BOT), which represents the difference between exports and imports, is a central concept in analyzing trade performance. Persistent deficits in BOT reflect Nigeria's reliance on imports despite financing interventions, while improvements in BOT signal successful diversification efforts supported by export finance. Furthermore, trade openness—measured by the ratio of total trade to GDP—captures the degree of integration of Nigeria's economy into the global system. Export financing can promote trade openness by expanding

export activities, though its effect may be moderated by structural and institutional challenges. Export finance is related to imports because many export-oriented firms in Nigeria rely heavily on imported raw materials, machinery, and intermediate goods for production. Consequently, financing intended for exports can indirectly influence the volume of imports by supporting production processes that require foreign inputs.

Furthermore, the high cost of credit and lack of long-term financing have made formal bank loans unattractive or inaccessible to many prospective exporters, particularly small and medium-sized enterprises (SMEs), who frequently turn to unofficial sources of funding (Ezeaku et al., 2021). Also, macroeconomic instability, including exchange rate volatility and inflation, has adversely affected the capacity of financing institutions to provide consistent support to exporters (Afolabi, 2022). These constraints have led to a situation where the volume and diversity of Nigeria's exports remain suboptimal, and the country's foreign trade performance continues to rely heavily on crude oil, with non-oil exports contributing marginally to total trade. Therefore, this study examined the effect of commercial bank export financing on Nigeria's foreign trade.

The following null hypotheses were formulated and were tested at 5% level of significance;

- H₀1: Export financing has no significant effect on Nigeria's imports.
- H₀2: Export financing has no significant effect on Nigeria's exports.
- H₀3: Export financing has no significant effect on Nigeria's balance of trade.
- H₀4: Export financing has no significant effect on Nigeria's trade openness.

This study is limited to export financing and Nigeria's foreign trade. The study period spanned for 44 years from 1981 to 2024. This time frame reflects various economic challenges of the early 1980s, particularly the oil price volatility and the subsequent balance of payments crisis, which led to the adoption of the Structural Adjustment Programme (SAP) in 1986. SAP introduced trade liberalization, export promotion incentives, and financial sector reforms, including export financing schemes such as the Rediscounting and Refinancing Facility (RRF) and the establishment of the Nigerian Export-Import Bank (NEXIM) in 1991. Including the 1990s and early 2000s captures the period of financial sector consolidation, deregulation, and increased participation of commercial banks in trade financing. This allows for a comprehensive analysis of how export financing affects Nigeria's foreign trade.

This study is structured in five sections. Section one will cover the introduction which will provide a comprehensive background to the study and statement of problems. It will clearly articulate the research objective, outline hypothesis, scope of the study and outline of the study. Section two covers the literature review which consist of conceptual review, theoretical review and empirical review. It also covers the conceptual framework of the study. Section three discusses the methodology which covers the study's research design, population and methods of data analysis. Section four covers the results and discussion. Finally, section five covers the conclusions and recommendations of the study.

2.0 LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Bank Export Financing

The term "export financing" refers to a group of financial instruments and products that help businesses fulfill export orders and reduce trade-related risks. These include pre-shipment and post-shipment credit, export credit guarantees, and structured commodities finance. According to studies, high financing costs raise the cost of trade transactions per unit and restrict the frequency of shipments, particularly for SMEs in emerging countries (Friedt & Zhang, 2023). This suggests that companies with more stringent finance requirements typically ship less frequently, which reduces their competitiveness and raises export flow volatility.

In Nigeria, despite the presence of the Nigerian Export-Import Bank (NEXIM), which offers intervention funds, export financing remains underdeveloped. However, utilization is constrained by inadequate risk-sharing frameworks and limited access to trade finance infrastructure (Obadan & Okojie, 2021). Export finance in Nigeria is a critical enabler of trade diversification and export-led growth, especially when integrated with broader industrial policy support (Omekwe et al., 2025).

2.1.2 Foreign Trade

Foreign trade refers to the cross-border exchange of goods and services and it remains a central driver of economic integration and productivity improvement. Empirical studies have shown that foreign trade positively affects economic growth, but its impact on human development indicators such as education and health outcomes depends on how trade revenues are distributed and reinvested domestically (Gideon et al., 2025). In Nigeria, trade openness has historically led to increased income per capita and life expectancy, but less progress in education

outcomes due to weak governance and inequitable public spending. The composition of trade, largely dominated by crude oil exports and capital goods imports, also plays a critical role in determining the developmental impact of trade (Ezeaku et al., 2023). Hence, a structural shift towards more inclusive and value-added trade is necessary for long-term national development. For this study, foreign trade is proxied by four sub-variables namely; imports, exports, balance of trades and trade openness. These proxies are discussed below;

2.1.2.1 Exports

This refers to the goods and services produced in one country and sold to buyers in another country. According to Kerebana and Itode (2021), exports encompass goods or services produced in a home country and offered to foreign nations. International trade encompasses both exports and imports. Instead of confining themselves within their national borders, countries extend their reach to global markets in search of enhanced revenue and transactional prospects. The export of goods and services presents significant opportunities to modern economies, granting individuals and businesses access to broader markets for their products (Kerebana & Itode, 2021). However, Nigeria's export portfolio remains poorly diversified, with crude oil accounting for more than 80% of export earnings. Although recent data indicate growing contributions from agricultural and manufactured exports, these are still constrained by infrastructure bottlenecks, policy inconsistencies, and limited access to export finance (Akinbobola et al., 2024).

2.1.2.2 Balance of Trade

This represents the net difference between a country's exports and imports of goods and services and it plays an important role in evaluating the international competitiveness and external sector performance of an economy. In macroeconomic theory, a surplus indicates a positive BOT, which may contribute to national income growth, while a deficit implies excessive importation and possible depletion of foreign reserves. In Nigeria, empirical evidence shows that the BOT is significantly influenced by exchange rate fluctuations and the structural composition of trade.

2.1.2.3 Trade Openness

Trade openness refers to the elimination of restrictions like tariffs, quotas, subsidies, and non-tariff barriers to facilitate cross-border transactions. It involves integrating economies into global markets, increasing the volume and variety of international exchanges in goods, services, and capital (Musa, 2020). This is usually measured as the ratio of total trade (exports + imports)

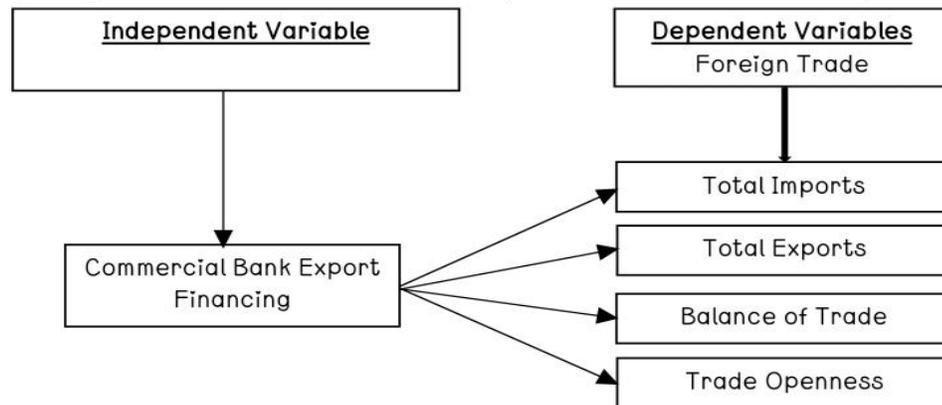
to GDP. Studies show that trade openness has a positive short-run effect on economic growth in Nigeria, but the long-run effect is conditional on institutional strength, infrastructure quality, and human capital development (Oladipo & Udo, 2023). Sectoral analysis further revealed that openness significantly boosts output in the industrial and services sectors, while its impact on agriculture is negligible due to structural weaknesses (Ahmed et al., 2022). Moreover, cross-country panel evidence confirms that economies with sound institutions and trade facilitation infrastructure benefit more from trade liberalization (Usman & Musa, 2021). In Nigeria, to harness the full benefits of trade openness, reforms must address tariff policy, ease of doing business, logistics infrastructure, and regional trade integration under frameworks such as the African Continental Free Trade Area (AfCFTA).

2.1.2.4 Imports

Imports are goods and services purchased from foreign countries for domestic consumption or production. While imports provide access to goods not locally available and often enhance technology transfer, they can negatively impact domestic industries when unregulated. In Nigeria, recent ARDL-based analyses reveal that imports have a statistically significant negative effect on long-run economic growth, particularly when they crowd out local production (Olayemi & Basse, 2021). The over-reliance on imports of refined petroleum products, food, and industrial machinery reflects structural deficiencies in domestic production capacity. Moreover, the growth-inhibiting effects of imports are magnified under conditions of high trade deficits and weak exchange rate stability.

2.1.2.5 Conceptual Framework

The diagram in Figure 1 below illustrates the conceptual framework of this study, depicting the interconnections and the sequential influence of the study's constructs.



Source: Researcher's Conceptualization, 2025.

2.2 Theoretical Review

2.2.1 Trade-Off Theory

Supporters of this theory such as Frank and Goyal (2009), found that large firms tend to behave in line with trade-off theory predictions by targeting leverage ratios. Similarly, Graham and Leary (2011) provided strong evidence in favor of the theory, particularly in explaining the capital structure of firms in emerging markets. In terms of recent applications, studies like Adesola and Okwuosa (2019) applied the trade-off theory to analyze the financing behavior of Nigerian manufacturing and exporting firms, revealing that access to credit is critical but moderated by risks such as exchange rate volatility and interest rate fluctuations.

2.2.2 Mercantilist Trade Theory

This theory is widely associated with early economic thinkers such as Thomas Mun in 1621. It is one of the earliest theories of international trade and remains relevant in discussions about export-led economic strategies. The theory posits that a nation's wealth and economic strength are best enhanced by maximizing exports and minimizing imports, thereby accumulating precious metals, particularly gold and silver. Mercantilists believed that government intervention in trade, including subsidies for exporters and restrictions on imports, was crucial for ensuring a favorable balance of trade. The key assumptions of the theory are that (i) economic strength is synonymous with national power; (ii) the global volume of trade is fixed, meaning one nation's gain is another's loss; (iii) trade surpluses are inherently desirable; and (iv) government intervention is necessary to direct trade flows to favor national interests. Although many of these assumptions have been challenged by modern trade theories, their underlying logic remains evident in several export-driven development models.

Supporters of this theory such as Chang (2002) and Reinert (2007) have reinterpreted mercantilist ideas in the context of "kicking away the ladder," showing how today's developed countries used protectionist and export-oriented measures in their early development stages. Empirical studies in Nigeria, such as those by Okodua and Ewetan (2013), support export expansion through state-led financing as a mechanism for achieving economic diversification. Applications of the mercantilist philosophy can be observed in Nigeria's export-support schemes like the Export Expansion Grant (EEG) and the CBN's RT200 FX Programme (2022), which incentivize non-oil exports and offer credit and financial support to exporters. These policies echo mercantilist principles by promoting exports through institutional support, with the aim of boosting foreign exchange reserves and reducing dependency on imports.

Critiques of the theory highlight its outdated view of global trade as a zero-sum game, overlooking the mutual benefits from free trade and comparative advantage emphasized by classical economists like Adam Smith and David Ricardo. Moreover, excessive focus on exports can lead to neglect of domestic markets, distortion of resource allocation, and retaliatory trade measures from other nations. This Theory directly supports the rationale behind boosting exports through financing, especially in a country like Nigeria that struggles with persistent trade deficits and foreign exchange shortages. The theory's core principle, that national prosperity is achieved by promoting exports and restricting imports, mirrors Nigeria's policy direction from the 1980s through 2024, particularly in its frequent deployment of export support programs such as the Export Expansion Grant (EEG), the NEXIM Bank credit lines, and the RT200 FX initiative. Mercantilist thinking justifies these interventions as necessary to improve the trade balance, accumulate foreign reserves, and stimulate industrial output. In practical terms, Nigeria's over-reliance on oil exports and importation of manufactured goods has weakened its trade position; thus, financing non-oil exporters is seen as a way to correct structural imbalances. The theory validates the state's involvement in trade facilitation through credit and subsidies as a strategic tool for economic development.

2.3 Empirical Review

Femi-Olagundoye (2024) examined exchanged rate management and sectorial export financing in Nigeria. The study used the Augmented Dickey-Fuller (ADF) test for stationarity of the time series, the Bound Test for Co-integration to check the long-term relationship, and the Autoregressive Distributed Lag model to test the relationship among the variables. The result

showed that changes in the exchange rate have a short-run negative significant impact on export loans to the three sectors and a long-run positive significant impact on the agro sector. The study recommended that policymakers introduce monetary policies that encourage investors, reduce interest and inflation rates, and stabilize exchange rates. This finding supports the current study by showing how exchange rate stability directly complements export financing to sustain trade performance.

Obieche and Onuabi (2024) examined the effect of export financing on the growth of Nigeria economy using time series data sourced from Central Bank of Nigeria Statistical Bulletin from 1990- 2023. The econometrics tools used in this study include; multiple regressions and Granger Causality test which were used to determine the level of impact that one variable has on the other as well as the direction of causality between them. The result arising from our findings indicates that 56.8 % variations in economic growth were explained by export financing variables. commercial banks credit, export import banks, microcredit export credit and export grant have positive effect on the growth of Nigeria economy while exchange rate have negative effect on the growth of the economy. The study recommended that Nigeria government should encourage the banking sector, especially the Nigeria Export -Import bank to increase their credit to Nigeria export sector to enhance export productivity and in turn improve economic growth. This aligns with the present study by emphasizing that financing through banks and grants directly boosts trade performance and growth, consistent with our focus on Nigeria.

Okeke (2024) examined the effect of foreign trade on the performance of the Nigerian Manufacturing sector. Ex-post facto research design was utilized in the study. This study sourced secondary data from the Central Bank of Nigeria (CBN) statistical bulletin, spanning a time frame of 24 years, covering the period of 1999 to 2022. The study's data were analyzed using the Ordinary Least Square (OLS) regression method. The study revealed that export trade has a positive and significant effect on the gross domestic product of the Nigerian manufacturing sector (p-value = 0.0088); Import trade has a negative and significant effect on the gross domestic product of the Nigerian manufacturing sector (p-value = 0.0145); Balance of payment has a negative and significant effect on the gross domestic product of the Nigerian manufacturing sector (p-value = 0.0092). The study recommended that to further capitalize on the positive effect of export trade, the Nigerian government and manufacturing sector stakeholders should actively promote the diversification of export products and explore new international markets through

targeted policies, incentives, and support programs that facilitate product innovation, quality improvement, and market penetration strategies. This directly relates to our study by underscoring how exports—when supported through adequate financing—contribute positively to economic growth and trade outcomes.

Mboto et al., (2022) examined the effect of foreign trade on the growth of the Nigeria economy. Secondary sources of data were employed and extracted from the Central Bank of Nigeria Statistical bulletin. The ordinary least square of multiple regression technique was used to test the impact of independent variables on the dependent variable. Based on the analysis of the test, the following finding emerged from the study: there was a significant relationship between balance of trade, imports, exports, balance of payments with economic growth, using GDP as a proxy, implying that these explanatory variables had a positive impact on the growth of Nigeria economy. The study therefore recommended that government should embark on a holistic fiscal policy and approaches that would boost production in Nigeria. This corroborates the present study's recommendation that export financing policies should be complemented by broader fiscal reforms to maximize trade benefits.

3.0 METHODOLOGY

This research adopted the *ex-post facto* research design. Based on the nature of this study which was on the effects of export financing on Nigeria's foreign trade, this research design was found suitable for this study. Numeric values of Commercial bank Credit to exporters, total imports, total exports, balance of Trade and trade openness were obtained from the Central Bank of Nigeria Statistical bulletin and National Bureau of Statistics (NBS). These data sources provide information on the macro-economic and financial variables. The data obtained is time series data; it covers the period 1981 to 2024. The data was obtained via the survey of existing document (otherwise known as secondary source of data collection).

The study examined the descriptive statistics of the data for the variables, after which the series were tested for the presence of the unit root using the ADF unit root test. Diagnostic tests such as Heteroskedasticity test, Johansen co-integration test and Breusch-Godfrey test for serial correlation were conducted. The Vector Error Correction Model (VECM) technique was used to estimate the model with the aid of computer statistical application (E-view 10). This method useful as it measures both short-run and long-run effects among integrated variables.

3.1 Model Specification

This study adopted existing econometric models of Magaji et al., (2022). Due to the multiple nature of the dependent variables, the adapted model was remodeled to suite the above study. The mathematical form of the model is specified in a functional relationship as follows;

$$TEXP_t = \beta_0 + \beta_1 EXPF_t + \mu_t \quad (1)$$

$$TIMP_t = \beta_0 + \beta_1 EXPF_t + \mu_t \quad (2)$$

$$BoT_t = \beta_0 + \beta_1 EXPF_t + \mu_t \quad (3)$$

$$OPEN_t = \beta_0 + \beta_1 EXPF_t + \mu_t \quad (4)$$

Where:

EXPF = Export Financing

μ_t = Error term

β_0 = Intercept

3.2 *A priori* Expectation

The *a priori* expectation for the study was symbolically represented in the table below;

Variable	A priori Sign	Justification
TEXP	Positive (+)	Financing enhances export volume/value
TIMP	Ambiguous (+/-)	May rise with export earnings or fall due to self-sufficiency
BoT	Positive (+)	Exports grow faster than imports under financing
OPEN	Positive (+)	Increased export financing encourages higher trade activity, leading to greater integration into the global economy and a higher trade-to-GDP ratio.

Source: Researcher's Computation.

4.0 DATA PRESENTATION AND ANALYSIS

4.1 Data Presentation

Data for this study were collected from the Central Bank of Nigeria (CBN) Annual Statistical Bulletin and National Bureau of Statistics (NBS). for the periods 1981-2024. These data consist of the following variables; Commercial bank Credit to exporters, total imports, total exports, balance of Trade and trade openness. The data series is attached as appendix A. A sample of the dataset is shown in Appendix A, including yearly values for commercial bank credit to exporters, imports, and exports. This provides insight into the relative magnitudes and fluctuations of the variables analyzed.

4.2 Results

Descriptive Statistics

Table 1: Summary of Descriptive Statistics

Sample: 1981-2024

	CBCE	TIMP	TEXP	BoT	OPEN
Mean	417.5207	7077156.	8528672.	1451515.	299.5669
Median	30.57500	1749870.	2516805.	213508.0	308.6050
Maximum	3548.740	60590549	77442099	16851550	555.7300
Minimum	0.100000	5983.600	7502.500	-7905599.	75.97600
Std. Dev.	800.8984	11551899	13546406	3495520.	116.1620
Skewness	2.196985	2.750158	3.298011	1.618480	-0.033751
Kurtosis	7.549036	11.98293	16.54259	10.55569	2.403774
Jarque-Bera	73.33461	203.4019	416.0004	123.8718	0.660076
Probability	0.000000	0.000000	0.000000	0.000000	0.718896
Sum	18370.91	311394877.7	375261559.4	63866682	13180.94
Sum Sq. Dev.	27581843	5.73819424	7.89072035	5.25402347	580225.2
Observations	44	44	44	44	44

Source: Researcher's computation with the aid of E-View 10

Furthermore, the data set is classified normally distributed since the table above indicates that none of the skewness value fall outside the -2 to 2 range. Similarly, the Kurtosis value suggest that the data set is relatively peaked than normal as the majority of the variables differed from zero.

Stationarity Test (Unit Root Test)

Table 2: Summary of Augmented Dickey Fuller (ADF)

Variable	ADF Statistics	Critical value @5%	Level of Stationarity
CBCE	-2.420136	-3.212696	I(1)

TIMP	-2.645347	-3.175352	I(1)
TEXP	-5.311575	-3.175352	I(1)
BoT	-4.544714	-3.175352	I(1)
OPEN	-3.808611	-3.212696	I(1)

Source: Researcher’s computation with the aid of E-View 10

The Augmented Dickey-Fuller (ADF) test was conducted to assess the stationarity properties of the time series variables in the study. From the table 1 above, it is evident that all variables were non-stationary at level, as their ADF statistics were higher (less negative) than the 5% critical value. However, after first differencing, each of the variables became stationary, as denoted by their respective ADF test statistics which became more negative than the 5% critical threshold. Also, all the variables are integrated of order one, I(1).

Table 3: Lag Length Selection

Lag	LogL	LR	FPE	AIC	SC	HQ	Selected by
0	-2289.672	NA	4.59e+43	111.8864	112.0536	111.9473	
1	-2199.477	158.3904	1.24e+42	108.2672	109.1031	108.5716	
2	-2157.515	65.50260	3.57e+41	107.0007	108.5053	107.5486	SC
3	-2132.540	34.11214	2.45e+41	106.5629	108.7362	107.3543	LR, FPE, AIC, HQ

Source: Researcher’s computation with the aid of E-View 10

Co-integration Test

Table 4: Summary of ARDL Long-Run and Bounds Test Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.	Significance
TIMP	0.000376	5.47E-05	6.877	0.0000	Significant
TEXP	-0.000280	5.86E-05	-4.775	0.0001	Significant
BOT	0.000222	7.82E-05	2.840	0.0088	Significant
OPEN	0.153673	0.260435	0.590	0.5604	Not Significant
C (Intercept)	-32.08105	85.91349	-0.373	0.7120	Not Significant

Source: Researcher’s computation with the aid of E-View 10

From the results on table 4 above, Total Import (TIMP) is found to have a positive and statistically significant effect on CBCE in the long run. Specifically, the coefficient of 0.000376 (p-value = 0.0000) suggests that a one-unit increase in total import is associated with an increase in commercial bank credit to exporters, which could indicate that higher import demand may necessitate enhanced export productivity and financing in the long run.

Also, Total Export (TEXP) shows a negative and statistically significant relationship with CBCE (coefficient = -0.000280; p-value = 0.0001). This inverse relationship could imply that as exports increase, exporters may rely less on bank credit, possibly due to improved liquidity from export proceeds or government-backed incentives that reduce their dependence on credit facilities.

The constant term (C = -32.08105) is also statistically insignificant, suggesting no meaningful fixed level of CBCE independent of the modelled variables.

Error Correction Term and Cointegration Test

The coefficient of the error correction term (CBCE(-1)) is -0.719 (p-value = 0.0000), which is highly significant and correctly signed (negative). This supports the existence of a stable long-run equilibrium relationship among the variables. The magnitude of the coefficient indicates that approximately 71.9% of the disequilibrium from the previous year's shock is corrected in the current year, implying a fairly quick speed of adjustment towards long-run equilibrium.

Table 5: Bounds Test for Cointegration

F-Bounds Test		Null Hypothesis: No levels relationship		
Test Statistic	Value	Signif.	I(0)	I(1)
Asymptotic:				
n=1000				
F-statistic	20.23142	10%	2.2	3.09
K	4	5%	2.56	3.49
		2.5%	2.88	3.87
		1%	3.29	4.37
Finite Sample:				
Actual Sample Size	41		n=45	
		10%	2.402	3.345

5%	2.85	3.905
1%	3.892	5.173
	Finite	Sample:
	n=40	
10%	2.427	3.395
5%	2.893	4
1%	3.967	5.455

Source: Researcher's computation with the aid of E-View 10

The F-statistic value from the Bounds Test is 20.231, which exceeds the upper bound of the critical values at all conventional significance levels (e.g., I(1) at 1% = 4.37; at 5% = 3.49). This provides strong evidence to reject the null hypothesis of no long-run relationship among the variables. Thus, there exists a long-run cointegration among CBCE, TIMP, TEXP, BOT, and OPEN.

Diagnostic Test

Table 6: Heteroskedasticity Test (Breusch-Pagan Test)

Statistic	Value
F-statistic	14.44353
Prob. F(15, 25)	0.0000
Obs*R-squared	36.75838
Prob. Chi-Square(15)	0.0014
Scaled Explained SS	27.69391
Prob. Chi-Square(15)	0.0236

Source: Researcher's computation with the aid of E-View 10

From the test result in table 6, the F-statistic value of 14.44353 with probability value of 0.0000 strongly indicate the rejection of the null hypothesis of homoskedasticity at the 1% level of significance. Similarly, the Obs*R-squared statistic of 36.75838 with a p-value of 0.0014, as well as the Scaled Explained Sum of Squares value of 27.69391 with a p-value of 0.0236, further affirm the presence of heteroskedasticity in the residuals of the estimated model. These outcomes imply that the variance of the error terms is not constant across observations, thus violating the

homoskedasticity assumption. In the presence of such heteroskedasticity, the efficiency of the Ordinary Least Squares (OLS) estimators will be compromised, leading to biased standard errors and misleading statistical inferences.

4.3 Test of Hypotheses

4.3.1 Hypothesis One:

H01: Export financing has no significant effect on Nigeria's imports

Note: Export finance is related to imports because many export-oriented firms in Nigeria depend on imported raw materials, machinery, and intermediate goods. Thus, financing intended for exports can indirectly influence the volume of imports by supporting production processes that require foreign inputs.

The result of long run equation test presented in table 4 revealed that the P-value of total imports (TIMP) is 0.0000 which is less than 0.05 level of significance. This indicates a statistically significant relationship between export financing and Nigeria's imports. Therefore, the null hypothesis is rejected and it is concluded that export financing has a significant effect on Nigeria's imports in the long run.

4.3.2 Hypothesis Two:

H02: Export financing has no significant effect on Nigeria's export

The result of long run equation test presented in table 4 revealed that the P-value of total exports (TEXP) is 0.0001 which is less than 0.05 level of significance. This indicates a statistically significant relationship between export financing and Nigeria's export. Therefore, the null hypothesis is rejected and it is concluded that export financing has a significant effect on Nigeria's exports in the long run. This validates mercantilist principles that government-supported financing mechanisms promote exports and improve trade balance.

4.3.3 Hypothesis Three:

H03: Export financing has no significant effect on Nigeria's balance of trade

The result of long run equation test presented in table 4 revealed that the P-value of balance of trade (BoT) is 0.0088 which is less than 0.05 level of significance. This indicates a statistically significant relationship between export financing and Nigeria's balance of trade. Therefore, the null hypothesis is rejected and it is concluded that export financing has a significant effect on Nigeria's balance of trade in the long run. This aligns with both trade-off

and mercantilist theories, confirming that well-structured financing enhances trade balance and economic strength.

4.3.4 Hypothesis Four:

H04: Export financing has no significant effect on Nigeria's trade openness

The result of long run equation test presented in table 4 revealed that the P-value of trade openness (OPEN) is 0.5604 which is greater than 0.05 level of significance. This implies that there is no statistically significant relationship between export financing and Nigeria's trade openness. Therefore, the null hypothesis is accepted and it is concluded that export financing has no significant effect on Nigeria's trade openness in the long run. This result challenges the assumption that financing alone drives openness, suggesting institutional quality plays a stronger role, as highlighted in contemporary trade theories.

4.4 Discussion of Findings

The study examined the effect of export financing on Nigeria's foreign trade. Proxy of export financing adopted in the study is commercial bank credit to exporters while total imports, total exports, balance of trade and trade openness proxy foreign trade. The results of the empirical analysis conducted are as follows;

Findings revealed that export financing has a significant effect on Nigeria's imports in the long run as indicated by the p-value of TIMP to be 0.0000. This finding is in line with Okeke (2024) who argued that in Nigeria, many export-oriented firms depend on foreign inputs, and financing intended for exports often ends up increasing import bills. The scholar further asserted that financial support for exporters in developing economies often increases the demand for imported equipment and technology, thereby influencing import levels. This linkage reveals why export financing significantly affects imports in countries with weak backward integration policies. This supports the trade-off theory as it demonstrates firms' reliance on credit for import needs, balancing benefits against risks.

Also, findings revealed that export financing has a significant effect on Nigeria's exports in the long run as indicated by the p-value of TEXP to be 0.0001. This finding consistent with findings of Femi-Olagundoye (2024) who reported that firms accessing its credit lines experienced a 25-40% increase in annual export volume. Also, access to affordable export financing improves competitiveness, enhances production capacity, and enables participation in

international markets. This validates mercantilist principles that government-supported financing mechanisms promote exports and improve trade balance.

Furthermore, findings revealed that export financing has a significant effect on Nigeria's balance of trade in the long run as indicated by the p-value of BoT to be 0.0088. This finding is supported by Obieche and Onuabi (2024) who argued that effective export financing boosts non-oil exports, which are essential for correcting trade imbalances in oil-dependent economies like Nigeria. Also, countries with robust export financing systems tend to improve their trade balances due to sustained growth in export volume relative to imports. This aligns with both trade-off and mercantilist theories, confirming that well-structured financing enhances trade balance and economic strength.

Finally, findings revealed that export financing has no significant effect on Nigeria's trade openness in the long run as indicated by the p-value of OPEN to be 0.5604. This finding corroborates Mbotto et al., (2022) who observed that despite increased export financing support in Nigeria, trade openness indicators remained relatively unchanged due to persistent policy and infrastructure bottlenecks. It is worthy to note that trade openness in sub-Saharan Africa is more sensitive to macroeconomic stability and trade liberalization policies than to direct financial interventions. This result challenges the assumption that financing alone drives openness, suggesting institutional quality plays a stronger role, as highlighted in contemporary trade theories.

5.0 CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

The focus of this study was to examine the effect of commercial bank export financing on Nigeria's foreign trade using data from 1981-2024. The study proxy export financing with commercial bank credit to exporters (CBCE) while total imports (TIMP), total exports (TEXP), balance of trade (BoT) and trade openness (OPEN) proxy foreign trade. Time series data for the variables were sourced from Central Bank of Nigeria (CBN) Statistical Bulletin and National Bureau of Statistics (NBS) report for 2024. This study employed descriptive statistics, Stationarity Test (ADF Unit Root Test), Lag Length Selection, ARDL Long-Run and Bounds Test Result, Heteroskedasticity Test (Breusch-Pagan Test) based on the E-views 10 statistical software. The empirical result showed that export financing has a significant effect on Nigeria's imports, exports and balance of trade in the long run as shown by the p-values of 0.0000, 0.0001

and 0.0088 respectively while export financing has no significant effect on Nigeria's trade openness in the long run as indicated by p-value 0.5604 at 5% level of significance. This result challenges the assumption that financing alone drives openness, suggesting institutional quality plays a stronger role, as highlighted in contemporary trade theories. These findings provide empirical support for both the Trade-Off Theory and Mercantilist Trade Theory, as they highlight the balance between benefits and risks of financing while also reinforcing the role of state-led support in promoting exports and correcting trade imbalances.

5.2 Recommendations

Based on the findings of this study, the following are recommended;

1. Government should strengthen export financing schemes with strict guidelines to ensure that funds are directed only toward activities that promote local production for export, not for financing import-dependent businesses. This will help reduce unnecessary importation and preserve foreign exchange.
2. Policymakers should increase funding and accessibility to export credit through institutions like the Nigerian Export-Import Bank (NEXIM), while technically supporting and training small and medium-sized exporters. This will boost non-oil exports and diversify Nigeria's revenue sources.
3. Nigerian government should prioritize sectors with high export potential, such as agro-processing, textiles, and solid minerals. This approach will enhance export earnings and reduce trade deficits over time.
4. Finally, government should complement export financing with reforms in trade policies, such as reducing customs delays, improving infrastructure at ports, and negotiating favorable trade agreements.

6.0 COMPETING INTERESTS

The authors have declared that they have no known conflicting financial interests, non-financial interests, or personal ties that could have influenced the work presented in this study.

7.0 DISCLOSURE OF AUTHORS' CONTRIBUTION

The individual contribution from each author towards the completion of this study is stated as follows: particularly in areas of conception, design, execution and interpretation of the research. In the area of conception and overall coordination of the research endeavor, Solomon R. Irmiya, as the lead author, was the driving force. He also partnered with Mahoule Precious

Kinnin-Rawlings, Egegwu Roseline Ene, and Dakum Nanret Augustine in the area of data sourcing, analysis, interpretation and conclusion. In the area of Literature Review and Methodology Design, it was the combined collaboration of Iyam Blessing Afe, James Simi Sylvia, Ohimamoje Ezra Felix, Salawu Blessing Anahyl, Ayuba Sandra Kefas, and Yusuf Joshua John.

REFERENCES

- Adusei, M., & Ackah, C. (2022). Bank-specific determinants of export credit allocation in sub-Saharan Africa. *Journal of African Business*, 23(1), 45–61.
- Afolabi, A. (2022). Monetary policy instability and export growth in Nigeria: Evidence from dynamic ARDL simulations. *Journal of African Trade*, 9(2), 45–61.
- Afreximbank. (2023). *Annual Report 2022*. African Export-Import Bank.
- Ahmed, M., Eboh, E., & Eze, B. (2022). Trade openness and sectoral performance in Nigeria: Insights for sustainable economic growth. *International Journal of Economics and Development Studies*, 10(2), 120–138.
- Akinbobola, T. O., Okunlola, C. O., & Lawal, A. I. (2024). Non-oil export diversification and economic transformation in Nigeria. *Nigerian Journal of Economic Policy*, 31(1), 67–89.
- Akoto, R. K., & Adjasi, C. (2021). The effect of external credit on firms' exports size in Nigeria. *Cogent Business & Management*, 8(1), 1-16
- Ali, B. A. (2023). Investigating the impact of international trade on economic growth: A case study of Nigeria (Master's Gelişim Üniversitesi Lisansüstü Eğitim Enstitüsü).
- Aremu, M. A., & Adeyemi, S. L. (2020). Export financing and non-oil exports in Nigeria: Empirical evidence and policy implications. *Journal of African Trade*, 7(1), 55–69.
- Ayodele, T., Akinyede, O., & Iriobe, G. (2017). The role of Nigeria Export-Import (NEXIM) Bank in economic development of Nigeria: A review. *International Journal of Economics, Commerce and Management*, 5(3), 363-369.
- Chinda, C. C., & Nyeche, E. (2024). Impact of foreign trade financing on per capita gross domestic product in Nigeria. *International Journal of Economics and Business Management*, 2(4), 112-127.
- Ezeaku, H. C., Chukwu, J. O., & Ugoani, M. (2023). Commodity trade structure and macroeconomic resilience in Nigeria. *African Journal of Economic Research*, 18(1), 33–49.

- Ezeaku, H. C., Udemba, E. N., & Ibe, R. C. (2021). Financial constraints and export performance of SMEs in Nigeria. *Cogent Economics & Finance*, 9(1), 1930498.
- Felbermayr, G., & Yotov, Y. V. (2019). From theory to policy: Lessons from gravity models of trade. *World Economy*, 42(2), 457–483.
- Femi-Olagundoye, M. (2024). Exchange rate management and sectorial export-financing in Nigeria. *International Journal of Research and Innovation in Social Science*, 8(8), 4332-4350
- Friedt, F. L., & Zhang, L. (2023). Trade finance constraints and export performance: Evidence from shipment data. *Review of International Economics*, 31(2), 281–300.
- Gideon, P., Abiola, R., & Sule, A. (2025). Trade, human development, and structural transformation in Nigeria: A long-run analysis. *Future Business Journal*, 11(1), 77–92.
- Ibrahim, M. O., & Lawal, A. S. (2021). Exchange rate dynamics and trade balance in selected African countries: Evidence from nonlinear ARDL modelling. *Journal of African Trade*, 8(2), 213–232.
- Jones, J. U., Mojisola, S., Chidera, O. L., & Maitala, F. H. (2025) Impact of Monetary Policies on Export Sector Performance in Nigeria. *European Journal of Accounting, Auditing and Finance Research*, 13(1), 91-109
- Kerebana, T. K. & Itode, K. J. (2021). Trade openness, human capital investment and economic growth in Nigeria. *International Journal of Development and Economic Sustainability*, 9(3), 57-71.
- Mboto, H. W., Akeh, M. U., Lawal, S. G., Bekom, O., & Nkamare, S. E. (2022). Effect of foreign trade on the growth of the Nigeria economy: an econometric approach. *Journal of Contemporary Research*, 1(1), 50-59
- Musa, N. (2020). Impact of trade openness and exchange rate volatility on economic growth in Nigeria. *Interdisciplinary Journal of African and Asian Studies (IJAAS)*, 6(2), 185-195.
- Nzewi, H. N., Okeke, C. C., & Agbakwuru, C. (2021). Commercial banks' risk aversion and the financing of export-oriented SMEs in Nigeria. *Journal of Banking and Financial Economics*, 9(3), 45–64.
- Obadan, M. I., & Okojie, E. I. (2021). Export finance and economic diversification in Nigeria: The role of financial institutions. *Nigerian Journal of Financial Management*, 6(2), 101–123.

- Obieche, P. N., & Onuabi, E. J. (2024). Export financing and economic growth in Nigeria: a time series analysis. *International Journal of Banking and Finance*, 10(9), 84-105.
- OECD. (2021). *Official Export Credit Support: Statistics and Analysis*. Organisation for Economic Co-operation and Development.
- Okeke, C. (2024). Effect of imports and exports on balance of foreign trade in Nigeria (GDP). *International Journal of Economics and Financial Research*, 4(11), 349-353.
- Okeke, P. O., & Alade, T. A. (2023). Impact of financial sector development, trade and economic growth in Nigeria. *International Journal of Research and Innovation in Social Science*, 7(1), 34-52.
- Okon, E. E., Basse, M. E., & Effiong, A. O. (2021). The impact of export financing on Nigeria's trade performance. *Nigerian Journal of Economic Studies*, 19(2), 45-64.
- Okonkwo, J. O., & Ibrahim, S. A. (2022). The impact of non-oil exports on economic growth in Nigeria. *Economic Policy Review*, 19(4), 88-105.
- Oladipo, M. O., & Udo, E. O. (2023). The conditional effect of trade openness on long-run growth in Nigeria. *African Economic Research Review*, 29(1), 34-51.
- Olayemi, S. O., & Basse, I. A. (2021). Import dependency and economic growth: Evidence from Nigeria. *Journal of Development Economics and Policy Studies*, 15(1), 59-78.
- Olayemi, T. O., & Ogunleye, J. A. (2023). Export financing and trade openness in Nigeria: An ARDL Approach. *Journal of Economics and Public Finance*, 9(1), 22-34.
- Omekwe, S. O. P., Briggs, D. T., Felix, A. A., (2025). Export financing in Nigeria: An assessment of the Nigerian Export-Import Bank (NEXIM). *International Journal of Advanced Multidisciplinary Research and Studies*, 5(1), 714-718
- Onabanjo, A. T., Ogunleye, A. G., Pereowei, A. B., & Olatunji, O. O. (2020). Exchange rate volatility and trade balance in Nigeria: An autoregressive distributed lag model approach. *EuroEconomica*, 39(1), 97-110.
- Uche, C. J., & Emmanuel, D. (2023). Foreign trade and economic growth in Nigeria: A cointegration and causality analysis. *Global Journal of Social Sciences*, 12(1), 15-30.
- Usman, R., & Musa, A. (2021). Institutional quality, trade liberalization and economic growth: Panel evidence from African countries. *Journal of African Trade*, 8(2), 122-135.
- Uzoehina, B. I., & Uwajumogu, N. (2015). Export financing and the performance of Nigeria's export sector. *Renaissance University Journal of Management & Social Sciences*, 2(1), 11-1.

Appendix A: Data used for the study

Years	CBCE (B'N)	Import (B'N)	Exports (B'N)	Balance of Trade (B'N)	Trade Openness (B'N)
1981	0.1	12,839.60	11,023.30	-1,816.30	173.01
1982	0.2	10,770.50	8,206.40	-2,564.10	128.6
1983	0.1	8,903.70	7,502.50	-1,401.20	104.38
1984	0.1	7,178.30	9,088.00	1,909.70	99.058
1985	0.1	7,062.60	11,720.80	4,658.20	101
1986	0.3	5,983.60	8,920.60	2,937.00	75.976
1987	0.5	17,861.70	30,360.60	12,498.90	199.05
1988	0.5	21,445.70	31,192.80	9,747.10	168.44
1989	0.6	30,860.20	57,971.20	27,111.00	216.26
1990	0.7	45,717.90	109,886.10	64,168.20	317.71
1991	0.9	89,488.20	121,535.40	32,047.20	361.19
1992	1.3	143,151.20	205,611.70	62,460.50	388.76
1993	1.6	165,629.40	218,770.10	53,140.70	308.8
1994	7.6	162,788.80	206,059.20	43,270.40	210.62
1995	19.4	755,127.70	950,661.40	195,533.70	555.73
1996	33.0	562,626.60	1,309,543.40	746,916.80	462.8
1997	16.4	845,716.60	1,241,662.70	395,946.10	477.17
1998	29.8	837,418.70	751,856.70	-85,562.00	334.11
1999	18.8	862,515.70	1,188,969.80	326,454.10	378.05
2000	25.31	985,022.39	1,945,723.30	960,700.91	419.24

2001	34.53	1,358,180.33	1,867,953.85	509,773.52	395.84
2002	26.71	1,512,695.33	1,744,177.68	231,482.35	286.1
2003	34.47	2,080,235.27	3,087,886.39	1,007,651.12	385.16
2004	31.35	1,987,045.27	4,602,781.54	2,615,736.27	367.36
2005	26.43	2,800,856.33	7,246,534.80	4,445,678.47	439.04
2006	52.69	3,108,519.32	7,324,680.63	4,216,161.31	347.03
2007	66.55	3,911,952.63	8,309,758.32	4,397,805.69	356.12
2008	75.19	5,593,180.45	10,387,693.62	4,794,513.17	404.14
2009	45.87	5,480,656.12	8,606,319.72	3,125,663.59	327.51
2010	44.81	8,163,974.57	12,011,475.87	3,847,501.30	369.43
2011	36.18	10,995,863.63	15,236,665.99	4,240,802.36	416.52
2012	65.61	9,766,556.74	15,139,326.13	5,372,769.40	347.29
2013	3.93	9,439,424.71	15,262,013.61	5,822,588.90	308.41
2014	1,045.19	10,538,914.51	12,962,026.84	2,423,112.33	263.93
2015	985.69	11,076,068.34	8,845,158.81	-2,230,909.53	211.6
2016	984.90	9,480,366.87	8,835,611.91	-644,754.96	180.47
2017	1,023.78	10,804,845.85	13,988,143.19	3,183,297.35	218.03
2018	1,076.72	13,445,112.75	18,707,327.43	5,262,214.68	251.71
2019	1,247.37	20,449,968.39	19,910,533.80	-539,434.58	279.87
2020	1,343.59	20,519,192.15	12,613,592.70	-7,905,599.45	217.52
2021	1,708.38	22,954,835.52	19,204,170.87	-3,750,664.65	242.95
2022	2,214.41	27,115,108.58	27,251,572.39	136,463.81	272.74
2023	3,548.74	32,642,666.15	36,247,788.33	3,605,122.18	299.64

2024	2,490.51	60,590,548.84	77,442,098.95	16,851,550	512.58
------	----------	---------------	---------------	------------	--------

Source: Central Bank of Nigeria (CBN) Annual Statistical Bulletin and National Bureau of Statistics (NBS) Reports for 2024