

## The Effects of Diversification Strategy on Economic Growth in Nigeria

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### Abstract

This paper examined the diversification strategy in Nigeria as a path to economy rebirth. Specifically, the paper dealt with the impact of diversification and determinants of economic growth in Nigeria. A survey design was adopted to gather secondary data for the study for the period of 1999-2021 on quarterly basis. Data sourced from CBN statistical Bulletin. Both diagnostics tests of unit root and co-integration techniques and Vector Correction Mechanism were used to analysis the data collected for the study. The result obtained revealed that there was a substantial impact of diversification strategy on economic growth in Nigeria. It was found that government total investment on agriculture, mining and steel, Information Technology and credit to SMEs and non-productive sector of the economy were determinants of economic growth in Nigeria. It was concluded that serious diversification was needed to enhance Nigeria economy rebirth.

Key words: Diversification strategy, Economic Diversification, Economic Growth, Non-Oil Sectors

### 1.0 Introduction

The problem of mono-economy being faced by Nigeria began in 1960s after the discovery of crude oil. This discovery led to relegation of other vital sectors and it was a bad omen on these sectors of the economy like agriculture, solid minerals, manufacturing, taxation, investment and tourism just to mention a few. One of the major sources of income was agriculture which was later completely neglected by much emphasis on revenues from crude oil sales. Nigeria being solely dependent on export of crude oil as a major source of foreign earnings, Nigeria, the much-hyped Africa's biggest economy, is currently facing the consequences of neglect of other sectors of the economy.

To revitalize Nigerian's economy, attentions must be geared and directed towards the ones neglected sectors as means to return the nation's economy on a path of rebirth and recovery. Adams (2016) states setting the nation's economy on the path of rebirth and recovery requires a complete shift of attention back to the Agricultural sector as the only way out of this conundrum. Arawomo, Oyelade and Tella (2014) state that Nigeria like other developing countries, has been making efforts to diversify her economy to other processing and manufacturing sectors in the recent time. That was caused by an instability of international prices of the hydrocarbon resource. However, to reducing the dependence on crude products whose prices fluctuates in the

international markets, diversification into other sectors, especially those more intensive in technology, is prone to trigger knowledge spillovers from the exposure to international markets, management and marketing practices, and production processes (Bebczuk and Berrettoni, 2005). This instability nose-dived Nigeria's economy to recession so much so that the country experiences a dwindling revenues of government at all levels and the attendant possible slump in financing capital projects and social services, slow economic growth and the terrible fate of naira whose exchange rate has noticeably depreciated against hard currencies like American dollar and pound sterling. There are other effects such as drastic depletion of foreign reserves, downsizings, ever-increasing inflation, bankruptcy of many states of the federation and incidence of banks facing bad debts. Unfortunately, the picture has given upsurge to critical unemployment that has increased spate of crime in the country just that oil sector could only employ limited number of the population and worse still, the professionals. The only solution to the numerous problems caused by one-track economy of solely dependent on revenues from crude oil is to diversify the economy for stability and sustainability.

Diversification is a way out to wean Nigeria's economy away from one-track economy to multi facets economy. Utomi(2004) asserts that diversification of the Nigerian economy is necessary for important following reasons. First, the volatility of the international oil market with the attendant volatility of government revenue gives credence to any argument for diversification of exports. Secondly, the fact that crude oil is an exhaustible asset makes it unreliable for sustainable development of the Nigerian economy. Abogan, Akinola and Baruwa (2014) observe that an appraisal of the trend and patterns of activities in the non-oil sector of Nigeria showed that even with the various policies, strategies and reform programmes, the contributions of the sub-sectors of this sector have been dismal, disheartening and below its full potential. The share of non-oil export in the country's total export earnings has remained very low and it was 1% in 2008 (CBN, 2008), and up 4.8% in 2013 (CBN, 2013). Ezeudu (2014) notes that recent proactive efforts from the private sector, export processing free zone scheme and Nigeria Export and Import Bank (NEXIM) especially efforts of the banking sector to finance exportation of commodities are becoming noticeable in the nation's export profile, with the traditional commodities like cocoa, being upstaged by new ones like cashew nut, ginger and sesame seed in the foreign market. The policy concern over the years has therefore been to expand non-oil export in a bid to diversify the nation's export base (Adedipe, 2004). Evbuomwan(2016) states that abundant agricultural and mineral resources available are two sectors that would deliver the country quick wins in the quest to diversify the Nigerian economy.

Diversification, according to Samuelson (1968) is an act of investing in a variety of assets, mentioned its benefit as that which reduces risk especially in the time of recession, inflation, deflation etc. Economic diversification strives to smooth out unsystematic risk events in a portfolio so that the positive performance of some investments will neutralize the negative performance of others. Economic diversification means diversifying a country's sources of economic growth and income in such a way that the country becomes more or less equally dependent on all sectors of the economy (Economic Diversification Strategy Document, Botswana, 2011). In the other words, an economy is diversified when no sector is singled out as a major driver of country's domestic economic activities (source of income, market for export or growth). Diversification is generally taken as the process in which a growing range of economic outputs is produced. This means that it is a process of broadening the range of economic activities both in the production and distribution of goods and services. Diversification of economic base does not only lead to increase in output but it also enhances stabilization of economies, while in contrary, a mono-economy will always be predisposed to internal and external vicissitudes (Anyachie&Areji, 2015). Diversification is the strategy Nigeria needs to enter into new industries in which the country does not currently operate, while also creating new product/service for that new market. Diversifying Nigerian's economy in a strategic direction that can take her into non-oil sectors of the economy and/or markets by means of either internal or external development. The purpose of

diversification is to allow Nigeria to enter lines of operations that are different from main stain of the economy. There are many reasons for pursuing a diversification strategy for Nigeria. This is dependent on two dimensions of rationale for diversification according to (Calori and Harvatopoulos). The first one relates to the nature of the strategic objective: Diversification may be defensive or offensive.

Defensive reasons may be spreading the risk of market contraction, or being forced to diversify when current product or current market orientation seems to provide no further opportunities for growth or portends despair. Conversely, offensive reasons may be conquering new positions, taking opportunities that promise greater profitability than expansion opportunities, or using retained cash that exceeds total expansion needs. The second dimension involves the expected outcomes of diversification: Management may expect great economic value (growth, profitability) or first and foremost great coherence with their current activities (exploitation of know-how, more efficient use of available resources and capacities). In addition, organizations may also explore diversification just to get a valuable comparison between this strategy and expansion.

Thus, steering this notion could be a journey to revisit the pre-oil boom years in 1960s when agricultural, manufacturing and other sectors were the most important one in terms of its contribution to domestic production, employment and foreign exchange earnings. On this score, not only that attention should be on the real sectors of the economy that could make the country to fulfill her potentials but also as on height of all-encompassing growth and sustainable development. One of such sectors is agriculture, which myopically, has been obscured by the flow of revenues from crude oil into our economy, in addition to captivation of many Nigerians in (with) making quick money through contracts, supplies and merchandise. Nevertheless, the fact remains that this sector holds the key to economic revival in Nigeria, apart from helping in promoting food security, agro-allied industries, export trade, job creation and poverty alleviation.

Due to instability and uncertainty in global crude oil prices, the Nigerian government has recognized the need to diversify the economy so as to attain solid and sustainable economic growth (Danbatta, 2016). It is time for more determined actions on the diversification of the economy, and diversification of foreign exchange earnings through increased non-oil exports. Raising non-oil exports revenue is a key area where government's interventions are needed. Analysts agree that the economy is broadly diversified, when oil accounts is just about 15 percent of the country's output. Agriculture, services – including finance, ICT, entertainment, hospitality – and their extensive value chains are major contributors to the GDP. Additional potentials are locked in the solid minerals sectors. Therefore, this paper seeks to examine the impact of diversification strategy on economic growth in Nigeria and analysis the determinants of diversification strategy. In achieving this objective, this paper is divided into five sections which are the introduction, literature review, methodology, empirical results and conclusion and recommendations.

## **2.0 Literature Review**

### **Diversification Strategies**

#### **2.1 Agriculture**

Before the discovery of oil in 1956 in Nigeria, Nigeria was famous in her agrarian economy through which cash crops like palm produce, cocoa, rubber, timber, ground nuts, were exported, thus making Nigeria a major exporter in that respect. Also, Nigeria had 19 million heads of cattle, the largest in Africa. Agricultural sector has been the leading provider of employment in Nigeria since the sixties and seventies, when the sector provided employment for more than 70 percent of the Nigerian population. Agricultural sector has been the

leading provider of employment in Nigeria since the sixties and seventies, when the sector provided employment for more than 70 percent of the Nigerian population. Adams (2015) opines that agricultural development can promote the economic development of the underdeveloped countries in four distinct ways by: increasing the supply of food for domestic consumption and releasing the labor force needed for industrial employment; enlarging the size of the domestic market for the manufacturing sector; increasing the supply of domestic savings; and providing the foreign exchange earned by agricultural imports. According to Omawale and Rogrigues (1979), agriculture has been assigned an important role in national development by most developing countries. It has been seen as a means of reducing dependence on certain importations, containing food price increases, earning foreign exchange, absorbing many new entrants to the labour market and increasing farm incomes at times of severe unemployment and rural poverty.

**2.2 Natural Resources:** Natural resources are crucially important among other various factors that have the potential to drive economic diversification. These resources can be exploited to increase exports of goods a country produces, especially through beneficiation, whereby additional value can be created from the resources extracted. However, Nigeria's great potential is often unrealized because of suboptimal government management of natural resources and the failure to use the gains from resource exploitation to further enhance other economic activities. Evbuomwan(2016) aversthat Nigeria is blessed with a wide variety of solid minerals which are widely distributed in almost all the states of the Federation. This is evident in Okuedo (2003) that about 33 solid mineral commodities occurring in about 450 locations nationwide have been identified. Natural resources remain the key factor for economic growth in Africa, a continent that has been traditionally driven by exports of agricultural goods and primary products such as minerals and hydro-carbons. However, Nigeria's dependence on just a few commodities for its revenue is vulnerable to boom and bust cycles as the prices of commodities are subject to wide fluctuations.

According to Vanguard, Nigeria's online reports thatover a five-week long steady decline in crude oil price, economists at FSDH Merchant Bank Limited posted what may be the likely impact on Nigeria's economy in the short-to-medium term perspective. Oil money according to data obtained from the US Energy Information Administration (EIA) Short-Term Energy Outlook (STEO) in its report for November 2018, crude oil prices declined in October at a faster rate than in any month since July 2016. Brent spot crude oil price declined by US\$10 per barrel (p/b) in October to close at US\$75 p/b. Similarly, Bonny Light crude oil price declined by 16.01% in October to close at US\$73.34 p/b. The price of Bonny Light crude oil dropped further to US\$71.31 per barrel as at 7th November 2018. This represents a drop of US\$16.35 p/b from the highest price of US\$87.66 recorded in October 2018. The decline in oil prices is attributed to two major factors: the indication of a global economic slowdown, and the higher-than expected global crude oil supply. The International Monetary Fund (IMF) revised its global economic growth rate forecasts for 2018 and 2019 down by 0.2%; this revised forecast was published in the IMF's October edition of the World Economic Outlook (WEO). Therefore, the need for expanding the beneficiation of such products and seeking sustainable utilization, where possible, can engender Nigeria's economic growth and diversification.

### **2.3 Institutional Capacity and Human Resources**

Human resources are important for boosting innovation in any economy, especially, for example, through Research and Development as well as management skills that lead to better products and economic processes. Again, the support of government and civil society can unlock the potential of human resources to contribute positively to economic diversification. This includes boosting tertiary education and supporting research and development in high-growth sectors.

## 2.4 Reduction of Wide Gap in the Supply of Needed Resource

Another strategy for diversifying economy of Nigeria is reduction of wide gap in the supply of needed resources. The CBN being one of the key players in the system created an agency called Nigerian Export – Import Bank with two funds. NEXIM Bank is the managing agency for the N500 billion Export Stimulation Facility (ESF) and the N50 billion Export Rediscounting & Refinancing Facility (RRF). The CBN released guidelines for the funds in June, 2016 and the agency has embarked on various sensitisation sessions on capacity-building programmes with Banks and key stakeholders.

The Nigerian Export – Import Bank is statutorily mandated to facilitate the country's non-oil export growth. NEXIM Bank has a range of tools, including credit financing in both local and foreign currencies, risk-bearing services in the form of export credit guarantee and export credit insurance facilities, special funds, loans for foreign inputs, export advice, and market information, to support the non-oil export sectors.

NEXIM Bank funds export producers and businesses with export potentials. This is with the aim of increasing foreign exchange earnings for the country, boost industrial production and create jobs for Nigerians. The Federal House of Representatives' Committee on Banking and Finance, embarked on an oversight tour to the sites of agro-processing businesses supported by NEXIM. In a collaborative move according to a report, the committee visited some sites like Ladgroup, based in Ikenne, Ogun State with NEXIM's facility of \$5 million provided the company with the resources to import equipment for its production line for Shea Butter export, as well as working capital with the expectations to earning \$5 million in the first year of operating the new facility, and \$100 million in the next five years. Ladgroup will create at least 300 direct jobs and more than 600 indirect jobs. Also, NEXIM also financed Karite Oil Limited's 22MT Shea Butter processing plant in Akure, Ondo State – a company formerly known as Fagow Oil & Gas Nigeria Limited.

There have been swift responses from applicants. According to CBN report, the applications received worth N111.02 billion under the ESF and N3.59 billion under the RRF. After appraisals, only applications worth N33 billion under the ESF and N3.59 billion under RRF are under consideration, approval and disbursement by the CBN.

## 2.5 Removing Non-Tariff Barriers to Nigeria's Non-Oil Exports

One of the key projects being facilitated by CBN with partners is the Sealink Project, to provide direct maritime links within West and Central Africa. The Sealink will dramatically cut the time and financial cost of shipping sea cargoes within these regions through trans-shipment through Europe. The Board of the Sealink has concluded arrangement with a major operator to commence a pilot scheme by deploying ships along the routes that have been designated. To achieve this, the Ministers of Transport of the ECOWAS member-countries met in Lome, Togo, where far-reaching decisions were taken towards a smooth and efficient operation of the shipping company. During the meeting, the Sealink Company was granted a Community Enterprise Status. In addition, NEXIM Bank is making arrangements to realise the potentials of the project by working with Nigeria Shippers' Council and Nigerian Inland Waterways Authority on the commencement of annual exports of about one million tonnes of coal, iron ore and lead/zinc using self-propelled and/or dry bulk cargo barges in the dredged inland waterways channels from Lokoja / Ajaokuta to Burutu Port.

iii. Improving the packaging of Nigerian agricultural exports to Europe and other countries, to abate incidents of rejection. The use of hydrocarbon-free jute bags is very critical in this regard. Currently, jute bags are imported to the country. The high cost has led to the problem of recycling old bags and the use of unsuitable packaging materials. As part of efforts to mitigate this challenge, we have commenced discussions with major investors to resuscitate and commence the production of jute bags in the country for packaging of exports.

### 3. Research Method

A survey design was adopted to gather data for the study. Specifically, secondary data was used to analyze the impact of diversification strategy on economic growth in Nigeria. The data used was sourced from Central Bank Statistical Bulletin various reports for the periods 1999-2018. The data used was on quarterly basis. The diagnostics tests of unit root and Johansen Co-integration test and inferential statistics of Vector Error Correction Mechanism were used to analysis the data collected for the study.

For the purpose of achieving the objectives of the study, the functional model that was used was expressed as;

$$GDP = (GTIAGRIC, GTIMS, CSMSE, GTIIT, CTNPS) \quad 3.1$$

Where,

GDP= Gross Domestic Product used as proxy for economic growth

GTAGRIC= Government Total Investment in Agriculture

GTIMS= Government Total Investment in Mining and Steel

CSMSE= Credit to Small and Medium Scale Enterprises

GTIIT= Government Total Investment in Information Technology

CTNPS= Credit to Non- Productive Sector of the economy

Equation 3.1 might be expressed in relational form as;

$$GDP = \beta_0 + \beta_1 GTIAGRIC + \beta_2 GTIMS + \beta_3 CSMSE + \beta_4 GTIIT + \beta_5 CTNPS + \mu \quad 3.2$$

$\mu$  = Error Term

#### Diagnostics Test

This section of the chapter considered the presentation and interpretation of results of the diagnostics tests used to adjudge the suitability of the data for the choice of estimation technique adopted.

#### Unit root test

In order to estimate Vector Error Correction Model, the variables must be free from unit root problems, meaning that they have to be stationary at the same order of integration. Therefore, the result of the Augmented Dickey- Fuller Unit Root Test is presented in Table 1

**Table 1 Augmented Dickey-Fuller Unit Root Test**

Variables	Level		1 <sup>st</sup> Difference		Order of integration
	ADF	P-value	ADF	P-value	
GDP	-0.892008	0.7818	-6.806013	0.0000	I(1)
GTIAGRIC	-0.906779	0.7771	-6.503390	0.0000	I(1)
GTIMS	-1.64756	0.4505	-6.359392	0.0000	I(1)
CSMSE	-0.164524	0.7670	-7.269204	0.0000	I(1)
GTIIT	-0.784768	0.9958	-7.257468	0.0000	I(1)
CTNPS	-2.323750	0.1693	-9.034994	0.0000	I(1)
Test Critical values	1% level	-3.588509			
	5% level	-2.929734			
	10% level	-2.603064			

Source: Researcher's computation, 2022

Table 1 presented the unit root test which was used to test for the order of integration for the variables used in the model. The unit root test reveals that all the variables, GDP, GTIAGRIC, GTIMS, CSMSE, GTIIT and CTNPS were stationary at their 1st difference. This showed that they were of order I(1). The stationary status of the variables thus suggested that the Vector Error Correction Model (VECM) technique could be employed and used to carry out the analysis for the study. Hence, VECM procedure was adopted for the study.

### Co-integration Test

Johansen Co-integration test was carried out to determine the long run relationship among the variables in the model. The trace statistics and the maximum Eigen value were compared with Mackinson critical value at 5% level of significance in order to determine the number of co-integrating vector equation in the model and test considers lag interval of 1 with intercept and trend in CE and test variable. The result of Johansen co-integration Test was presented in Table 2 below.

**Table 2 Johansen Co-integration Test Result**

Hypothesized No of CE(s)	Trace Statistics	Critical 5%	p-value	Max-Eigen	Critical 5%	p-value
None *	161.0072	111.7805	0.0000	44.76122	42.77219	0.0297*
At most 1*	116.2459	83.93712	0.0000	38.63221	36.63019	0.0288*
At most 2*	77.61374	60.06141	0.0008	36.62609	30.43961	0.0075*
At most 3*	40.98765	40.17493	0.0413	20.89574	24.15921	0.1302
At most 4	20.09191	24.27596	0.1541	13.42370	17.79730	0.2018
At most 5	6.668211	12.32090	0.3594	6.222668	11.22480	0.3250

**Source: Researcher's Computation, 2021**

Table 2 presents the results of the trace test statistics and Max-Eigen statistics computed for test variables the numbers of co-integration among the variables of the study. From the table, it could be inferred that there were four co-integration equations among the study variables based on the result of trace test statistics and three co-integrating equations were observed when Max-Eigen Statistics is considered. This assertion was based on the fact that the trace tests statistics at none, at most one, at most two and at most three of 161.0072, 116.2459, 77.61374 and 40.98765 in that order were greater than their corresponding critical statistics of 111.7805, 83.93712, and 60.06141 and 40.17493 respectively. Resultantly, Max-Eigen statistics obtained at none, at most 1 and at most 2 also greater than their corresponding tabulated values at 5% critical level of significance. The consequence of this was that there was existence of co-integration equations among the parameter of the study.

**Table 3 Estimation of Vector Error Correction Model (VECM)**

Variable	Coefficient	Standard Error	T-Statistics	P-value
C	0.004771	0.03616	0.13194	0.5201
D(GDP(-1))	0.83446	0.08678	9.61591	0.0005
D(GDP(-2))	0.931652	0.03468	26.86424	0.0000
D(GTIAGRIC(-1))	0.521359	0.08085	6.44847	0.0010
D(GTIAGRIC(-2))	0.061718	0.08367	0.73762	0.4617

D(GTIMS(-1))	0.838670	0.04501	18.63297	0.0000
D(GTIMS(-2))	0.247821	0.04445	5.50591	0.0034
D(CTSMSE(-1))	0.645022	0.03322	19.41668	0.0000
D(CTSMSE(-2))	0.919719	0.02020	45.33064	0.0000
D(GTIIT(-1))	0.897698	0.09071	2.17945	0.0328
D(GTIIT(-2))	0.383216	0.06340	6.04442	0.0059
D(CTNPS(-1))	0.5338352	0.04738	11.36243	0.0002
D(CTNPS(-2))	0.865243	0.04737	18.26563	0.0000
<b>ECM(-1)</b>	-0.031227	0.00200	15.6135	0.0001
R-squared	0.971326			
Adj. R-squared	0.962062		Mean dependent	0.095749
F-statistic	104.063168		Prob (F-Stat)	0.000000
Log likelihood	54.66670		Durbin-Watson Sta	1.014103
Akaike AIC	71.798451			
Schwarz SC	81.143121			
Mean dependent	0.095749			
S.D. dependent	0.086603			

**Source: Researcher's computation, 2022**

### Interpretation and Discussion

Table 3 above explains the variables that were considered to be determinants of economic growth in Nigeria as stated earlier in the study model, using Vector Error Correction Mechanism (VECM) as a technique of estimation. As noted, Vector Error Correction Mechanism (VECM) was meant to tie the short-run dynamics of the co-integrating equations to their long-run static dispositions. In order to capture the short run fluctuation, the Vector Error Correction Method (VECM) was employed and the result was presented in Table 3.

The result indicated that the major determinants of economic growth in Nigeria were Government Total Investment in Agriculture, Government Total Investment in Mining and steel, Credit to Small and Medium Scale Enterprises, Government Total Investment in Information Technology and Credit to non-productive Sector of the economy. Observing the result from the table, it could be concluded that GDP at the previous one and two years was significance on economic growth in Nigeria. This assertion was premised on the p-value of the GDP computed at the lagged period's one and two years of 0.0005 and 0.0000 respectively were less than the critical value of 5%. It is apt to assert that a 1% increase in economic growth in the previous one and two years may lead to 0.83 and 0.93 increase in economic growth in the current year and hence economic growth in the current year might be a determinant of economic growth in the previous/ later years.

Considering the results from the table, it was found that the p-value of the t-statistics computed for the total government investment on Agriculture (TGIAGRIC) in the previous one and two years as a strategy for diversification of 0.0000 and 0.0010 respectively were less than the critical value of 5%. This implied that the null hypothesis which stated that Government Total Investment on Agriculture as a strategy for economy diversification in the lagged periods one and two was not significant on economic growth in Nigeria was rejected. The significance of this variable confirmed that the variable was one of the major determinants of economic growth in Nigeria. In addition, the regression coefficient computed for GTIAGRIC in the previous one and two years of 0.93 and 0.52 respectively indicated positive values. This implied that a unit increase in



GTIAGRIC in the lagged period's one and two years respectively might lead to 0.93% and 0.52% increase in economic growth. The economic implication of this was that increases in government expenditure in agriculture as a strategy for economic diversification might resultantly lead to a meaningful improve in economic growth. This meaningful improvement might translate to improve job opportunities for Nigerians, improvement in standard of living and increase in food production. The sign of this variable was in tandem with the priori expectation for the parameter. Furthermore, the p-value of the t-statistics computed for Government Total Investment in mining and steel at the lagged periods 1 and 2 respectively of 0.0000 and 0.0034 were less than the critical value of 5%. This indicated that the hypothesis which stated that government total investment in mining and steel sector as a strategy for diversification was not significance on economic growth in Nigeria was rejected. The import of this is that government investment in mining and steel to diversify the economy from over dependence on oil revenue to exploration of natural resources would increase not only revenue to the coffer of the government but also open up the economy to increasing job creation, increasing exploration and utilization of natural resources that would effectively enhance economic growth. The regression coefficient computed for the test variable at lagged (-1) and (-2) were 0.84 and 0.25 respectively. The implication of this is that a 1% increase in government total investment in mining and steel in the previous one and two years might result in a more than a 1% improvement in the economic growth. The result of the t-test statistics confirmed the fact that the variable was one of the determinants of economic growth in Nigeria.

It was discovered that the p-values of the t-statistics calculated for government credit to Small and Medium Scale Enterprises at the lagged periods one and two of 0.0000 and 0.0000 respectively were less than the critical value of 5%. This showed that the null hypothesis which stated that government credit to Small and Medium Scale Enterprises was not significance on economic growth in Nigeria was rejected. It was saved to assert that credit to SMEs as a strategy for economic diversification in Nigeria might improve economic growth of the country. Government intention to strengthen SMEs through various facilities to grow the economy to divert focus to non-oil revenue. In fact, the development of SMEs through appropriate credit commitment on the part of the government might bring about meaningful growth that could translate to a thriving one that creates job opportunity for the citizens. This result confirmed that the variable was one of the determinants of economic growth in Nigeria. Also, the regression coefficients computed for this variable at the previous one and two years of 0.65 and 0.92 confirmed that 1% increase in government credit to SMEs in the previous one and two years might result in 0.65% and 0.92% increase in economic growth. The sign was the coefficient in tandem with the expected sign of the parameter.

The result from the table, revealed that the p-values of the t-statistics calculated for government total investment in Information Technology as one of the strategy of diversification in the lagged periods (-1) and (-2) of 0.0328 and 0.0059 respectively were less than the critical value of 5%. This indicated that the null hypothesis which stated that government total investment on information technology was not significance on economic growth in Nigeria was rejected. This implies that the commitment of the government in term of information technology expansively may contribute to economic growth in Nigeria. The regression coefficients computed for the variable in the lagged periods of (-1) and (-2) respectively were 0.897 and 0.383. This indicates that 1% increase in government total investment in Information Technology might in the previous one and two years result to 0.897% and 0.383% increase in economic growth in the current year. This result confirmed that the variable was one of the determinants of economic growth and hence, the sign of the coefficient was in line with the priori expectation.

It was found that the p-values of the t-statistics computed for government total credit to Non-productive sector of the economy in the previous one and two years of 0.0002 and 0.0000 were less than the critical value of 5%. This shows that the null hypothesis which stated that government total credit to non-productive sector of the economy was not significant on economic growth in Nigeria was rejected. The resultant effect of this was

that government credit to non-productive sector such as; credit to Nollywood practitioners might increase economic growth in Nigeria. It was discovered that the non-productive sector such as entertainers contributed over 14% of Nigeria GDP. Therefore, credit from the government to non-productive sector as one of the diversification strategy of the government could create a better stream of income for the government and stakeholders in the non-production sector. The regression coefficient obtained for this test variable in the previous one and two years were 0.53 and 0.86 respectively. This showed that a 1% increase in credit to non-production sector in the previous one and two years might lead to 0.53% and 0.86% improvement in economic growth. This result reaffirmed the fact that the variable was one of the determinants of economic growth in Nigeria and the sign of the coefficient was in tandem with the priori expectation for the variable.

The result also indicated that the speed of adjustment of ECM was -0.031227 and significant because the p-value of t-statistics computed for the variable of 0.0001 was less than the critical value of 5% with the t-value of -15.6135. This implies that at every interval, the recovery of economic growth back to equilibrium once affected by shock in the economy, which might be partly due to sudden fall in the price of crude oil adjusted was relatively by 3.1227 %. This mean that there is a long run relationship running from GTIAGRIC, GTIMS, CSMS, GTIIT and CTNPS.

Finally, all other statistics that were meant to confirm the reliability of the parameters proved that the result was reliable. To this end, the coefficient of determination ( $R^2$ ) came up with the value 0.971326 which implied that the independent variables accounted for over 97% variation in the rate of economic growth in Nigeria during the period of the study. This revealed that the model was of good fit. Also, the F-statistics computed of 104.063168 indicated that the joint combination of the independent variables was significant at 5% level of significance. This was supported by AIC and SC of 71.798451 and 81.143121 respectively stating that the chosen model maximizes all the available information at a very minimal error. The Durbin Watson (DW) statistics with the value of 1.014103 showed that there was no auto correlation in the model. This was due to the fact that the Durbin-Watson coefficient obtained was more than the lower limit value of 0.89723 and not up to the upper limit of 1.567453 and hence, it was saved to assert that the variables of the study were free from serial correlation.

## **5. Conclusion and Recommendations**

This paper had revealed that diversification is an essential ingredient needed to accelerate economic growth and achieve sustainable development in Nigeria. It can be concluded that there is a significant relationship between diversification strategies and economic growth in Nigeria. Effective diversification of economic to non-oil production was found to positively influence economic growth. Diversifying Nigeria economic to agriculture, mining and steel, SMEs and non-production sector could enhance economic that had been seriously set back as a result of fluctuation in the price of crude oil which is the main stain of the economy in Nigeria. It was further revealed that government total investment in agriculture, government total investment in mining and steel, credit to SMEs, government total investment in information technology and government credit to non-productive sector were the main determinants of economic growth in Nigeria.

Based on the conclusions of the paper, the following recommendations are made:

- Government should continue to diversify the economy through the right investment in agriculture, mining and steel, information technology, SMEs and consistent credit to non-production sector. Doing this might help in putting Nigerian economy in the right track and expand it with more vibrant sectors that could improve not only the revenues of the government but also a better living standard of Nigerians.

- Government should concentrate her attention on those sectors that are capable of driving the expected growth in Nigeria. Government can achieve this by ensuring that substantial amount of her budget is earmark to those sectors to revitalize them and enhance meaningful economic growth in Nigeria.

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