THE IMPACT OF EXCHANGE RATE ON ECONOMIC GROWTH IN NON-OIL EXPORT IN AFRICA: EVIDENCE FROM OIL AND NON OIL PRODUCING AFRICAN COUNTRIES?

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ABSTRACT

This study analysed how Exchange rate, Capital flows and Economic growth influence non-oil export in African countries. The main objective of this study is to evaluate the impact of exchange rate devaluation, taxation and capital flow on non-oil exports in Africa. This study adopts Power of Purchase under a system of inconvertible paper money; the speed of commerce between two monetary forms is regulated by the general buying forces of the two monetary forms in their respective nations, according to the parity hypothesis. The OLS results neglect the effect of heterogeneity associated with the individual countries and could cause substantial bias. The Panel unit root test is employed to investigate the stationarity of the panel series. The panel co-integration suggests a strong evidence of long-run equilibrium relationship between exchange rate, capital flows, economic growth and non-oil export in African countries. The results of the short run dynamics (error-correction model), which shows the response of non-oil exports to each of the regressors, as well as the error-correction mechanism. An examination of the results show a lagged positive effect of non-oil export on current non-oil export, implying a positive relationship between past values of non-oil export and current values of non-oil export in African countries. The Panel ARDL cross sectional analysis option provides a ready analysis of the extent to which the countries faired. The results of the panel GMM show that lagged non-oil export has a positive and significant effect on current export. Finally, conclusions and recommendations are made.

Keywords: *Exchange Rate, Capital Flows, Economic Growth, Influence Non-Oil Export, Africa.*

INTRODUCTION

One of the most dramatic occurrences in Africa especially in the West African sub region over the last decade was the devaluation of currencies. Foreign exchange reforms that allowed for a cumulative depreciation of the effective

exchange rate were supposed to raise domestic pricing of agricultural exports, hence increasing domestic production. Significantly, as experimentally demonstrated by several scholars, this depreciation resulted in changes in the structure and volume of Africa's agricultural exports (Osuntogun, Edordu & Oramah, 2013). The depreciation also enhanced agricultural export prices, and studies have revealed a significant increase in agricultural export volume over the years. However, the volatility and instability of exchange rate fluctuations since the introduction of the floating exchange rate have raised concerns about the impact of such swings on agricultural trade flows.

The exchange rate is a key relative price that connects the domestic and global markets for goods and assets. It is an indication of a country's competitiveness in a pure market with the rest of the world, and hence a vital anchor that supports the maintenance of both domestic and external macroeconomic balances (Aliyu, 2008). Exchange rate fluctuations have the potential to damage a country's export competitiveness and have a negative impact on economic agents' revenue and the balance of payments. As a result, producers' and/or exporters' perceptions of risk will indicate the probability of revenue unpredictability. As a result, future output and export will diminish as traders become risk averse, especially if such uncertainties/risks are regarded to be time changing, unpredictable, and irregular. In the absence of appropriate hedging measures, the damage could be more severe (Balogun, 2007).

Exchange rate is the amount of units of one economy's currency (the home nation) in relation to another economy's currency. It is the recommended number of currency denominations that can be used to acquire one or more units of another country's currency. As a result, the exchange rate is best defined as the value of one currency in relation to another (Mordi, 2006). Exchange rate, according to Ngereboa & Ibe (2013), is the ratio of one medium of exchange to another medium of exchange at a certain time. It represents the total cost of domestic and imported commodities, as well as the level of participation of the foreign sector in global trade. Hossain (2002), exchange rate connects the value structures of two unique nations by providing a global trading platform that directly impacts the size of imports and exports, as well as a country's balance of payment positions. As a result, the exchange rate can be seen as a global price meter for the competitiveness of a country's public enterprises. Accelerated economic growth is a key goal of public policy, and an increase in the number of goods and services produced in the country is a key indicator of economic growth. As a result, growth occurs when a country's capacity to create expands (Akpan, 2008). Commodity and service manufacturing refers to the

volume of a country's domestic and exported goods, as opposed to the volume of products and services imported into the country.

Obadan (2006), the country's inability to adequately encourage non-oil exports could possibly be attributed to naira exchange rate distortions. The main reasons commonly offered for the non-oil export sector's dismal performance have been the shortsighted implementation of trade policy reforms with undue focus on the function of currency devaluation, rather than identifying measures to improve supply capacity and capacity utilization in the long run (Aku, 2006). With the establishment of the variable exchange rate system became the issue of rate volatility, which raised the risk of doing business with the country. According to studies in this field, the impacts of such volatility on trade are negative and so decrease commerce (McKenzie & Brooks, 2017).

Objectives of the Study: The main objective of this study is to evaluate the impact of exchange rate devaluation, taxation and capital flow on non-oil exports in Africa. The specific objectives are as follows:

1. To examine the effect of exchange rate on non-oil exports in African countries.
2. To examine the effect of foreign capital inflows and domestic investment on non-oil export in African countries.
3. To examine the effect of gross domestic product on non-oil export in African countries

Scope of the Study: This study focuses on the historical period of thirty (10) years which ranges from 2011 to 2020. The study is analytical and econometrical, focusing on African. The choices of 4 developing African countries are made out of the researcher's interest which includes Nigeria, Senegal, Niger and Sierra Leone given the Africans' present economic problems and circumstances. The study uses a static panel analysis, panel unit root test, the Auto-Regressive Distributed Lag (ARDL) bounds testing approach developed by Pesaran et al. (2001) and Generalized Method of Moments (GMM). Static models such as Fixed Effect Model (FEM) and dynamic panel model which is system Generalized Method of Moment (system GMM) are employed. The justification for the selection of this approach is based on the advantages of the ARDL for testing the existence of a cointegrating relationship either in the short-run or long-run.

LITERATURE REVIEW

Conceptual Issues: Non-oil export products are commodities other than crude oil (petroleum products) that are sold in the foreign market to generate revenue. According to Akeem (2013), the Nigeria export product guidelines, oil export

and non-oil export had to be distinguished due to the significant difference in volume and value of export earnings between the two oil export products, which account for more than 92 percent of total volume of export and 86 percent of total volume of export earnings.

There had been severe concerns about the Nigerian economy's reliance on oil export earnings for development. Following this, successive governments attempted to diversify the country's export base; consequently, there have been initiatives in the past and present to enhance Nigeria's non-oil exports, both in volume and earnings (value). According to Samad (2011), the simplest method to accelerate the nation's economic recovery and development is to extend the export base of non-oil exports, which will energize the economy's oil sector and help establish the economy on a sustainable development path. Non-oil export products can be broadly categorized into three key areas, according to a Central Bank Africa document (2001). These include: (a) The Agricultural commodities and products, (b) The solid mineral export products (c) The craft and manufactured export products

This category of export products was originally Nigeria's main source of export earnings, from before and immediately after the country's independence to the oil boom of the late 1960s and 1970s. The value products like groundnuts and cotton in the west, coca and rubber in the east, and palm oil and palm kernel products in the west. In recent years, we have had other exportable agricultural products and commodities such as cashew nut, sealer seed, and 2004 declared the nation's readiness to export cassava products valued more than $4 billion (US dollar) to nations in Europe and Asia within a four-year period. To accommodate this demand, the country saw a cassava crop revolution. More government initiatives in this direction are required to achieve this goal. In effect, the government had made a deliberate effort to increase the country's agricultural exports in order to improve our economic development (Shah et al., 2015).

Theoretical Review: The Capital Flow Theory: Capital flows refer to the progression of money for the purpose of investment, trade, or business operations. Foreign capital inflows (FCI) continue to be the primary driver of economic globalization in countries all over the world (Khan, 2007). As a result, the need for capital inflows to supplement domestic resources in the nations' growth process is critical, as it is regarded as a catalyst that triggers a nation's development process and improves citizens' standard of living if properly and efficiently utilized. Furthermore, countries have turned to foreign capital inflows to correct resource allocation deficiencies and debt accumulation while addressing abject poverty. However, countries with

efficient macroeconomic policies, a conducive business environment, a core economic undertone, the adoption of modern techniques, skills, and expertise, open trade policies, and a well-functioning framework are more likely to reap the benefits of FCI and risk reduction than countries with inefficient macroeconomic policies and a poor regulatory framework (Okafor et al. 2016). Theory of Absolute Advantage: Adam Smith proposed this theory in his 1776 book, An Inquiry into the Nature and Causes of the Wealth of Nations. This theory employs a two by two model, in which two countries trade two commodities while employing only two factors of production: labor and capital. According to the theory, a country should export goods for which it is more productive than other countries, i.e. goods for which it can produce more output per unit of input than others (i.e. goods for which it has an absolute advantage), while importing goods for which it is less productive than other countries (i.e. in which it has an absolute disadvantage) (Dunn & Mutti, 2004). Absolute advantage refers to a country's ability to produce more of a good with the same amount of resources as another country. The country's absolute advantage could be due to the nature of its resources or to its manufacturing capabilities (Hoag & Hoag, 2006). According to Smith, each country benefits from specializing in the production of the good that it produces at a lower cost than the other country, while importing the good that it produces at a higher cost. This will increase specialization, global output, and trade gains (Carbaugh, 2004).

Theory of comparative Advantage: David Ricardo proposed this theory in 1817 because he was dissatisfied with Smith's theory's brevity (Carbaugh, 2004). According to Ricardo's comparative advantage theory, even if a country has an absolute cost disadvantage in producing both goods, there is still a basis for mutually beneficial trade. The less efficient nation should specialize in the production and exportation of goods in which it is relatively less inefficient (where its absolute disadvantage is least), whereas the more efficient nation should specialize in the production and exportation of goods in which it is relatively more efficient (where its absolute advantage is greatest). As a result, Nigeria is endowed with a variety of non-oil export goods in which she has an absolute and comparative advantage over other countries.

The Heckscher – Ohlin Theory: The Heckscher – Ohlin model is the dominant model of comparative cost advantage in modern economics. According to Sodersten and Reed (1994), this is a long-term general equilibrium theory in which two factors of production of labor and capital are both mobile across sectors. According to the Heckscher – Ohlin theory, international trade – of which exports are expected to be a major component – will significantly reduce the gap between rich and poor countries. According to the theory, inter-country

differences in factor endowments serve as the foundation for foreign trade. Different factor intensities in the production of various commodities result in comparative cost advantage (Sodersten & Reed, 1994). The assumptions of the Heckscher – Ohlin (H - O) theory are enumerated below; 1. 2:2:2 Model: Two by two by two model means there are two nations, two commodities, and two factor of production (labour and capital). 2. Perfect Competition in Both Commodities and Factor Markets in Both Nations.

Purchasing Power Parity (PPP) Theory: Purchasing Power Parity hypothesis theory that under an arrangement of inconvertible paper money, the pace of trade between two monetary forms is controlled by the general buying forces of the two monetary forms in their separate nations. There are two forms of the PPP hypothesis – the Absolute variant and the Relative rendition As per the outright form of the PPP hypothesis, the pace of trade is dictated by the proportion of inside buying intensity of the unfamiliar cash and the inner buying intensity of the homegrown money. The pace of trade will be in balance when the buying influence of cash is equivalent in both exchanging nations. This is represented mathematically as follows; $R = P_a.Q_o/P_b.Q_o$

Where R = Exchange rate between Country A and Country B, P_a = Price in Country A,

P_b = Price in Country B, Q_o = Same Quantity of goods in both countries.

This is mathematically represented below as follows; $R_1 = R_0 * (P_{a1}/P_{a0}/P_{b1}/P_{b0})$ Where R_0 =Equilibrium exchange rate in the Base year, R_1 = Equilibrium exchange rate in the current year, P_{a0}= Price Index of Country A in the base year, P_{a1}= Price Index of Country A in the current year, P_{b0}= Price Index of Country B in the base year , P_{b1}= Price Index of Country B in the current year.

Empirical Review: Several studies have been conducted in the literature to investigate the relationship between non-oil exports and economic growth. The outcomes of these studies differ due to differences in methodologies and time frames, as well as the variables captured in the models. Usman (2010) used multi-linear regression to study non-oil export determinants and economic growth in Nigeria from 1988 to 2008. The discovery demonstrates the existence of a positive relationship between gross domestic product and non-oil exports, the consumer price index, and the exchange rate. The study recommended that, because non-oil export was found to have a positive effect on economic growth in Nigeria from 1988 to 2008, it is believed that economic growth could be enriched and become more efficient as the government diversifies its export sources. As a result, measures to improve and increase non-oil export earnings are thought to be necessary for the country to experience sustainable development. Rasulbakshi and Mohseni (2010) used a Computable General

Equilibrium (CGE) model to investigate the impact of non-oil exports on Iranian economic growth. Their findings indicate a positive relationship between non-oil exports and economic growth. Among non-oil exportable sectors, industry and mining had the greatest impact on Iran's economic growth. As a result, a 30% increase in non-oil exports can boost national output by 19.96% and industry by 64%. The study thus concluded with a focus on the finding that, of all non-oil exportable sectors, the industry and mining sector had the greatest impact on economic growth. As a result, it is believed that focusing on non-oil export reinforcement, with a particular emphasis on industrial export, can facilitate and enhance Iran's economic growth.

Monir and Ebraham (2010) conducted a research survey on the impact of oil and non-oil exports on Iranian economic growth (1973-2007) using time series and the Vector Auto regressive method (VAR). Their findings show that real gross domestic product responds positively to an increase in oil exports, but only after two lags.

Nwachukwu (2014) investigated the Impact of Non-Oil Export Strategies on Economic Growth in Nigeria from 1970-2013 using ordinary least square method to analyze gross domestic product, tariff, bank credits infrastructural facilities (transport & communication). The result shows that infrastructure bears a negative relationship with the gross domestic product and credit from commercial bank and tariffs have positively affected economic growth in Nigeria. They failed to consider inflation, exchange and trade openness in their analyses.

Theoretical Framework: This study adopts Power of Purchase under a system of inconvertible paper money. The speed of commerce between two monetary forms is regulated by the general buying forces of the two monetary forms in their respective nations, according to the parity hypothesis. The PPP theory is divided into two types: The Absolute variation and the Relative rendition**.** The proportion of inside buying intensity of unfamiliar cash and inside buying intensity of domestic money, according to the forthright version of the PPP theory, determines the rate of trade. When the buying power of currency is equal in both trading countries, the rate of commerce will be balanced.

Model Specification:
Given the panel OLS regression model: $export\ gs_{i,t} = \lambda_0 + \theta'_i explanatory_{i,t} + e_{i,t}$ (1)
Where $export\_gs_{i,t}$ the dependent variable proxy is as exports of Goods and Services, λ_0 is the intercept. The number of countries the years is $t = 2010, ..., 2021$. $explanatory_{i,t}$ is vector of explanatory or dependent variables

(which are $fdi, gdp, exrate$). fdi is Direct investment, US Dollars. gdp is Gross Domestic Product, Real, Domestic Currency. $exrate$ is exchange rates, in domestic currency per US dollar. θ'_i is a vector of 1 x 3 coefficients of the explanatory variables. $e_{i,t}$ is error term normally distributed with zero mean and constant variance. In the case where each country characteristics C_i is correlated with the unobserved explanatory variables, the random effect model is suitable and specified as

$$export\_gs_{i,t} = a_0 + \theta'_i explanatory_{i,t} + E_{i,t} \qquad (2)$$

Where $E_{i,t}$ is the new error term for the random effect normally distributed with constant mean and variances. The new error term now captured the country specific effects.

Empirical Results and Analysis

The focus of this chapter is on the empirical analysis. The study sought to empirically evaluate the impact of exchange rate, capital flows and economic growth in non-oil exports in African countries, using evidence from oil and non-oil producing African countries. A sequential approach is adopted in the empirical analysis ranging from static panel analysis, panel unit root test, cointegration, panel ARDL and finally, Generalized Method of Moments (GMM).

Cross Sectional Analysis by Country

The need to examine a disaggregated analysis of the individual country in term of the significance or otherwise of exchange rate and capital flows, as well as economic growth on non-oil export cannot be over-emphasized. The Panel ARDL cross sectional analysis option provides a ready analysis of the extent to which the countries faired. The results for Burkina Faso is shown in Table1

Table1: Panel ARDL Results- Niger

Variable	Coefficient	t-Statistics	P.value
COINTEQ01	0.033008	48.63386	0.0000
D(LNNON_OILEXPT(-1))	-0.127850	-4.630699	0.0190
D(LNCAPFLOWS)	0.022656	20.36138	0.0003
D(EXCHRA)	-1.27E-06	-33100.12	0.0000
C	-0.222468	-7.043222	0.0059

Source: Authors EVIEW Output

The ARDL result for Niger show that lagged non-oil export exert a negative and non-significant impact on current non-oil export. Capital flows exert a

positive and significant impact, while exchange rate has a negative and significant effect on non-oil export. The cointegrating coefficient (error correction mechanism) indicates the restoration of long-run equilibrium after a temporary deviation.

Table 2: Panel ARDL Results- Nigeria

Variable	Coefficient	t-Statistics	P.value
COINTEQ01	-0.096357	-90.29238	0.0000
D(LNNON_OILEXPT(-1))	0.120956	4.495380	0.0205
D(LNCAPFLOWS)	-0.036566	-2.631707	0.0782
D(EXCHRA)	0.000457	-2818.327	0.0000
C	0.720230	12.15946	0.0012

Source: Authors EVIEW Output

The panel ARDL result for Nigeria show that lagged non-oil export exert a positive impact on current non-oil export, as in the case of Niger. In the same vein, capital flows and exchange rate exchange rate have negative and significant effect, a confirmation of the detrimental impact of the destabilizing capital flows and exchange rate depreciation on non-oil-export. The error correction term is appropriately signed and significant, indicating that the capacity of the model to restore to long-run equilibrium after a temporary deviation/shock.

Table 3: Panel ARDL Results- SIERRA LEONE

Variable	Coefficient	Std. Error	t-Statistic	Prob. *
COINTEQ01	-0.258128	0.011076	-23.30425	0.0002
D(LNNON_OILEXPT(-1))	-0.511281	0.021889	-23.35755	0.0002
D(LNCAPFLOWS)	1.709785	0.665047	2.570922	0.0824
D(EXCHRA)	-0.000489	1.65E-07	-2954.636	0.0000
C	2.029832	0.696619	2.913833	0.0618

Source: Authors Eview Output

For Sierra-Leone, the panel ARDL results show that lagged non-oil export and exchange rate have negative and significant impacts on non-oil export, whereas capital flows has a positive and significant impact at the 10% percent level. The error correction term is appropriately negative and significant at the 5 percent level. Its coefficient indicates that the contemporaneous speed of adjustment of

non-oil export to long-run equilibrium after a temporary deviation is 25.8 percent.

Table 4: Panel ARDL Results- SENEGAL

Variable	Coefficient	Std. Error	t-Statistic	Prob. *
COINTEQ01	-0.358540	0.032991	-10.86771	0.0017
D(LNNON_OILEXPT(-1))	-0.169102	0.033150	-5.101058	0.0146
D(LNCAPFLOWS)	1.047458	11.80113	0.088759	0.9349
D(EXCHRA)	0.017135	0.002676	6.403724	0.0077
C	2.752179	2.022796	1.360582	0.2668

Source: Authors EVIEW Output

For Senegal, the panel ARDL results show that lagged non-oil export has a negative and significant impact on current non-oil export, whereas exchange rate has a positive and significant impact. Capital flows is positively related to non-oil export, but the effect is not significant. Evidence of a significant adjustment/restoring process to long-run equilibrium after a temporary shock/deviation is found.

Panel GMM Results

Having analyzed and interpreted both the static panel and panel ARDL results, the results of the dynamic panel GMM is presented and analyzed.

Table 5: Dynamic Panel GMM Results

Dependent Variable : LNNON_OILEXPT

Variable	Coefficient	t-Statistics		Prob.
LNNON_OILEXPT(I)	0.482630***	23357.47	0.0000	
LNCAPFLOWS	0.120095***	18607.88	0.0000	
EXCHRA	0.000236***	13488.18	0.0000	
Post-Diagnostics:				
Instrument rank	62			
J-Stat	60.47396			0.422356
Prob(J-statistic)				
AR(I)	-2.9917(0.0028)***			
AR(2)	-0.261954 (0.7934)			

Note: *, **, *,** denotes statistical significance at 10%, 5 % and 1% levels, respectively

Source: Authors EVIEW Output

The results of the panel GMM show that lagged non-oil export has a positive and significant effect on current export. The significance of the lagged term is a confirmation of the dynamic nature of the relationship. Thus, past realizations of non-oil export tend to positively and significantly influence current or future non-oil export level. By implication, the benefits realized in terms of past non-oil export tend to positively drive and sustain current or future non-oil export performance, particularly in the case of the dynamic spillover effects of economic diversification away from oil. The coefficient of capital flows is positively and significantly related to non-oil export at the 1% percent level. Thus, increased foreign investment inflows, particularly where it augments domestic resource and investment shortage creates greater non-oil export capacity in Africa oil and non-oil countries. This finding buttresses past evidence of Kolawole and Okodua (2010) and Abogan et al. (2014), and at variance with findings of Ezike and Ogege (2012) and Olayiwola and Okodua (2015). A unit increase in capital flows stimulate non-oil productive capacity by 0.12.

Exchange rate is positively signed and significant at the 1% percent level. Thus, in line with trade theory and the J-curve, the depreciation of the exchange rate generates increases in non-oil capacity. Since depreciation in line with theory and evidence discourages high import-dependency with the attendant effect of stimulating domestic production/output for exports, African economy will be better for it when meaningful diversification is encourage, particularly for manufactured products, with high value-added and multiplier effect. The result of the positive and significant effect of exchange rate on non-oil export supports the findings of Anthony and Somiara (2010), Usman (2010) and Rasaq (2012), and in contrast to the findings of Arise et al. (2002), Akinlo and Lawal (2012) and Dada and Oyeranti (2012).

The post-diagnostic results for robustness and validate of results show a J-static that fails the significance test, an affirmation of the acceptance of the null hypothesis of no over-identifying restrictions in the model. The post-estimation evidence also leads to the rejection of the null hypothesis of no serial correlation at order one in the first-difference errors, but a failure to reject same at order two {with AR (1) = -2.99 (0.001)*** and AR (2) = -0.26 (0.79)}. There is thus, no evidence to invalidate the model, considering that the estimates are robust in the presence of first-order serial correlation, but not in the second-order serial correlation.

Panel Fixed Effect Result

In the light of the fact that that the OLS results neglect or ignore the effect of heterogeneity associated with the individual countries and could cause substantial bias, the panel data estimation is carried out. The result of the static panel results (fixed) is reported in Table. The adjusted R^2 of 0.847, implies that over 84 percent of the net systematic variations in non-oil export in Africa is explained by the independent variables. This is an indication of a good predictive ability of the model. The F-value of 161.6, with a corresponding probability of [0.000] is significant at the 1 percent level, thus validating the hypothesis of the existence of a significant linear relationship between regressors and non-oil exports in Africa. The Durbin Watson statistic of 2.21, can easily be approximated to 2, in line with the rule of the thumb, thus suggesting that there is auto correlation in the model. The estimated model is therefore fit for policy perspectives.

Table 6: Fixed Effect Model Results

Variable	Coefficient	t-ratios	Prob.
C	3.021367	19.32318	0.0000
LNNON_OILEXPT(-1)	0.627966	34.71347	0.0000
LNCAPFLOWS	0.003808	0.173036	0.8626
EXCHRA	4.49E-05	1.056775	0.2908
R^2	0.851976		
Adj. R^2	0.846687		
F-statistic	161.0661		0.00000
Durbin-Watson stat	2.214026		

Note: *, **,*** Statistical significance at 10, 5 and 1 % levels, respectively
Source: Authors EVIEW Output

The first lag of non-oil exports is positively signed and statistically significant at the 1 percent level. Thus, past non-oil export p tend to significantly drive successive levels of non-oil export particularly in the case of manufacturing, industrial and investment sectors, where such positive effects are sustained. Capital flows and exchange rate are positively related to non-oil exports but not significant, apparently due to the weak capital flows and non-diversified export base of African countries, where there is concentration on the export of few primary products that are not demand elastic to exchange rate devaluation/depreciation. This finding supports the results of Olayiwola and Okodua (2015)

Conclusions

It is concluded that, the benefits realized in terms of past non-oil export tend to positively drive and sustain current or future non-oil export performance, particularly in the case of the dynamic spillover effects of economic diversification away from oil. In line with trade theory, depreciation of the exchange rate generates increases in non-oil capacity. Since depreciation in line with theory and evidence discourages high import-dependency with the attendant effect of stimulating domestic production/output for exports, African economy will be better for it when meaningful diversification is encourage, particularly for manufactured products, with high value-added and multiplier effect. the benefits of currency depreciation on export stimulation cannot be realized when the economy is mono-dependent and largely produces and export primary products, in addition to high import dependence, which is characteristic of the Mozambican economy. In this case, the effect of exchange rate depreciation becomes detrimental to non-oil export capacity.

Policy Recommendations

In view of the findings emanating from this research work, the following recommendations are made:

1. Efforts should be geared towards continuous and well-articulated fiscal and monetary policies that will sustain this growth in the financial sector.
2. Government should ensure adequate policies which will encourage Foreign Direct Investment (FDI) inflow and make African countries export platform where export commodities could be manufactured. This will help to strengthen exchange rate
3. The fiscal and monetary authorities need to harmonize their policies on the real sector development and woe foreign and domestic investors. As a consistency measure, the fiscal authorities of the various representatives of the sub-Saharan countries need to improve on security of lives and properties as well as ensuring that there is a stable economic environment with power as these serves as incentives to foreign and domestic investors to invest in their respective countries and boost FDI and gross capital formation.

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