



Economic Integration: Impact Of International Trade And Small And Medium Scale Enterprises On Nigerian Economy

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ABSTRACT

The study empirically investigated the role of economic integration, specifically focusing on the impact of international trade and small and medium-scale enterprises (SMEs) on the Nigerian economy. The study will explore how economic integration initiatives and increased activities of international trade and SMEs have influenced Nigeria's economic growth. The dimensions and measures for the dependent and independent variables include real gross domestic product, bank credit, total exports, total imports, exchange rate, interest rate and inflation rate for the period from 1981 to 2021. The study employed secondary data, which was gotten from the Central Bank of Nigeria's statistical bulletin. The employed data analysis techniques are the stationarity test, the autoregressive distributive lag technique, and the bounds cointegration test. The study revealed that an increase in total exports as a result of international trade would bring about an increase in real gross domestic product (economic growth) in Nigeria. Also, an increase in bank credit to small and medium-scale enterprises would increase the real gross domestic product (economic growth) in Nigeria. Among other recommendations, the study urges the Nigerian government to promote free trade to encourage small and medium-scale enterprises to export, resulting in a boost in the country's real gross domestic product. The provision of bank credit at an affordable and considerate interest rate should be encouraged for small and medium-scale businesses in Nigeria. To increase the sector's contribution to gross domestic product, exportation of its manufactured product, and employment in the country, the Nigerian government needs to provide incentives and subsidies and improve technology and infrastructure developments to encourage small and medium-sized enterprises.

Key Words: Economic Integration, International trade, SMEs, Nigerian Economy.

INTRODUCTION

The impact of small and medium-scale enterprises (SMEs) on the economy of a country cannot be underestimated. The effects of SMEs could be felt through greater utilisation of local raw materials, employment generation, encouragement of rural development, development of entrepreneurship, mobilisation of local savings, and linkages with an increase in firm growth because SMEs are more labour-intensive thereby funding SMEs may represent a poverty alleviation tools. Promoting SMEs and individual countries and the international community at large can make progress towards the main goal of reducing the poverty level. The Nigerian Vision 20:2020 is to reduce poverty by half and become one of the top 20 largest Economies in the world by the year 2020. The economy's small and medium-scale enterprises sub-sector holds the key to the nation's quest for economic growth and development. Today, regardless of the level of growth and development in the world, countries continue to embark on viable policies and programs that would create and pave the way for the

sustainable development of their economies through SME development. Numerous studies have shown that small and medium-scale enterprises act as a catalyst for the growth and development of a National Economy (Anthony and Arthur, 2008; Chinweuba and Sunday, 2015 and Vijayakumar, 2013). Nigeria has made it one of its prime objectives in recent decades to expand its industrial base by nurturing and growing small and medium-sized enterprises to boost its economic growth. (Jibir, 2015). On the other hand, the decay of infrastructural facilities especially power has negatively affected the performance, growth and development of SMEs in Nigeria over the years.

Furthermore, Karakaya and Cooke (2002) define International trade as the engine of growth both for developing and developed countries. Economic integration refers to countries becoming more interconnected through free trade, investment, and other forms of economic interaction. Based on economic theory, free trade on a global basis is the best outcome because it allows comparative advantage (a factor of specialization) and exchanges to take place globally, thus increasing the world's output and welfare. Increasing economic growth, job creation, efficiency, and productivity is a result of economic integration and trade as countries specialize in producing the goods and services they are most efficient at producing. (Mirus & Rylska, 2001).

In as much as economic integration brings about economic benefits the challenges encountered during trade interaction are inevitable. This has led to the creation of Preferential Trade Agreements (PTAs). Preferential Trade Agreements (PTAs) are international trade agreements between two or more countries or regions that aim to reduce or eliminate trade barriers on certain goods and services exchanged among the member countries through SMEs (Small and Medium Enterprises). PTAs are designed to provide preferential treatment to the member countries, giving them greater access to each other's markets compared to non-member countries (Karakaya & Cooke, 2002). This preference for PTA's led to the creation of ECOWAS (Economic Community of West African States) among West African Countries in 1975. The EU-ACP PTA and sub-regional RTAs within ECOWAS and SADC were found to have a positive and significant impact on bilateral trade involving SSA countries (Turkson, 2012). As Economic Integration helps to boost trade relations among Countries of the same region there are unlimited benefits to gain from global trade relations with other countries of the world.

The positive relationship that exists between global trade and economic growth may be a result of the likely positive externalities due to the involvement of different countries in international trade. The role of international trade in promoting industrialization and economic development cannot be overemphasized. This is because foreign trade provides an impetus for industrial development by making inputs available for domestic production, particularly in developing economies including Nigeria where production activities heavily depend on imported inputs. Also, foreign trade enlarges market frontiers for domestic industrial output (exports), thus leading to increased investment, employment, output, and income. Foreign trade expands production possibility frontiers and broadens the consumption baskets of the people in the participating countries and thereby improving their welfare (Adewuyi and Adeoye, 2008).

International trade is simply known as the exchange of goods and services between nations of the world. At least two countries should be involved in the activities, that is, the aggregate of activities relating to trading between merchants across borders. Traders engage in economic activities for the profit maximization engendered from differentials among the international economic environment of nations. Trade can promote growth from the supply side, but if the balances of payment cost reduce the availability of imported inputs which enter the product of exports, thus forcing exporters to use expensive imports of double quality (Adedeji, 2006).

International trade allows for the exchange of goods and services cum fosters healthy relations among countries irrespective of their level of economic development. A country involved in international trade need not have fear of hegemony or loss of its sovereignty because it is a mutual agreement to engage in trade across its border. A nation not participating in international trade is at risk of a slow pace of economic development due to the cogent fact that a country cannot be fully endowed with all the resources essential to be utilized for sustainable economic growth and development.

The importance of international trade stems from the fact that no country can produce all goods and services which people require for their consumption largely owing to resources differences and constraints. As a result, this trade relationship suggests that economies need to export goods and

services to generate revenue to finance imported goods and services which cannot be produced domestically.

However, the impact of international trade and small and medium-scale enterprises on the Nigerian economy can be measured with different proxies. For this study, real gross domestic product, bank credit, total exports, total imports, exchange rate, interest rate and inflation rate were used as measures and dimensions of the dependent and the independent variables. Based on this, this paper seeks to empirically investigate the impact of international trade and small and medium-scale enterprises on the Nigerian economy. Interestingly, no study has investigated the impact of international trade and small and medium-scale enterprises on the Nigerian economy using the above measures and dimensions at the same time. These issues give credence to this study.

The economic growth of any economy is a crucial issue because it, ultimately, forms the crux of economic development which is the desire of every economy (Todaro, 2010). The dividend of growth is what digests into the numerous strands of development indices that are enjoyed by the affected economy. It's, therefore, become the focus of every economy to harness every available resource towards enhancing sustainable growth.

The external sector of the economy is one major aspect through which growth can be enhanced. This is so because the economic interaction with other economies of the world, through trading, enhances the productivity of the economy. Thus, the need for international trade as it relates to global and domestic economic growth and development. International trade leads to specialization, an increase in resource productivity, large total output, creation of employment, generation of income and relaxation of foreign exchange restraints (Nnadozie, 2003).

The positive relationship that exists between global trade and economic growth may be a result of the likely positive externalities due to the involvement of different countries in international trade. The role of International trade in promoting industrialization and economic development cannot be overemphasized. This is because foreign trade provides an impetus for industrial development by making inputs available for domestic growth.

This article is organized as follows; the abstract, the introductory part, and the literature reviewed which includes conceptual clarifications, theoretical framework and empirical review. The methodology includes the model design, model specification and empirical result discussions. This work was concluded with the conclusion and recommendations.

LITERATURE REVIEW

Conceptual Clarification

The Concept of Small and Medium-Scale Enterprises

The definition of Small and Medium Scale Enterprises (SMEs) are relative and they differ from industry to industry and country to country. The divergence amongst industries could be ascribed to the different capital requirements of each business, sales or investment, while those among countries could arise as a result of differences in industrial organizations of countries at different stages of economic development. Globally, several definitions of small businesses have been advanced over the years. In Nigeria, Alarape (2008) defines it as "an enterprise with a labour size of 11-100 employees or a total cost of not less than 50 million nairas, including working capital but excluding the cost of land". The medium businesses as the name suggests are bigger than both micro and small businesses in terms of operations, manpower capacity or number of employees, structure, capital investment and size. What might therefore be defined as SME in a developed country can be regarded as a large-scale enterprise in a developing country; using such parameters as fixed investment and employment of labour force (CBN, 2004). However, in Nigeria, the introduction of the National Policy on MSMEs has addressed the issue of the definition of what constitutes micro, small and medium enterprises. The definition adopts a classification based on dual criteria, employment and assets (excluding land and buildings) Size Category Employment Assets (N Million) (land and buildings) Micro enterprises employ Less than 10 employees and have assets less than 5 million. Small enterprises have 10 to 49 employees and have 5 to less than 50 million, while Medium enterprises have 50 to 199 employees and 50 to less than 500 million. (National Policy on MSMEs, 2012). About small businesses, several definitions of small businesses have been advanced over the years. For multilateral development institutions, such as the World Bank, varied classifications exist for defining SMEs. The World

Bank's definition includes businesses three times larger by employees and five times larger by turnover or assets than the largest SME under the Multilateral Investment Fund (MIF) definition. At the same time, the average gross national income per capita (PC-GNI) of the developing member countries of the World Bank Group is significantly less than the average PC-GNI for the countries of Latin America and the Caribbean served by the MIF (World Bank, 2012).

The Concept of Economic Integration

Economic integration refers to the process of reducing trade barriers and increasing coordination between countries to promote cross-border trade and investment. This can involve the elimination of tariffs on goods and services, the creation of shared markets, and the harmonization of economic policies among member nations. Will Kenton, (2022, June 30).

Adeniyi and Omisakin (2019) define regional economic integration as "the process of states within a region deepening their economic, political, and social ties" (p. 2). The authors explain that this process involves the removal of trade barriers, the coordination of economic policies, and the establishment of common institutions to manage the integration process. They also note that regional economic integration can take different forms, such as free trade areas, customs unions, common markets, and economic unions, depending on the level of economic cooperation and policy coordination among member states.

The Concept of International Trade

International trade is simply known as the exchange of goods and services between nations of the world. At least two countries should be involved in the activities, that is, the aggregate of activities relating to trading between merchants across borders. Traders engage in economic activities for profit maximization engendered from differentials among the international economic environment of nations (Adedeji, 2006). Foreign or international trade concerns the study of the causes and consequences of the international exchange of goods and services and the international movement of factors of production. Foreign trade means an exchange of goods and services across international borders.

The term international trade has been defined as trade across the frontiers; that is, with the rest of the world. It has been argued that it plays a prominent role in promoting economic growth and productivity in particular, and these debates have been ongoing since several decades ago. Furthermore, it has been revealed that internationally active countries tend to be more productive than countries which only produce for the domestic market. As a result of liberalization and globalization, a country's economy has become much more closely associated with external factors such as openness. The benefit of international trade for economic growth and development is difficult to understate. Imports bring additional competition and variety to domestic markets, benefiting consumers; and exports enlarge markets for domestic production, benefiting businesses. Trade exposes domestic firms to the best practices of foreign firms and to the demand of discerning customers, encouraging greater efficiency, and trade gives firms access to improved capital inputs such as machine tools, boosting productivity and providing new opportunities for growth to developing countries. International trade deals with the economic and financial interdependences among nations; international trade is part of our daily life, and international trade plays a vital role in shaping the economic and social performance and prospects of countries around the world, especially those of developing countries. No country has grown without trade.

The working of an economy in terms of growth rate and per capita income has been based on the domestic production, consumption activities and in conjunction with a foreign transaction of goods and services. Foreign trade has been an area of interest to decision-makers, policymakers as well as economists. It enables nations to sell their domestically produced goods to other countries of the world (Adewuyi, 2002).

The Concept of the Nigerian Economy

The Nigerian economy is a mixed economy, in that it is fundamentally capitalist in nature but incorporates government regulations. The Nigerian economy is also an emerging economy, an economy that is in the process of modernising. The economy is projected to grow by an average of 2.9% per year between 2023 and 2025, only slightly above the estimated population growth rate of 2.4%. Nigeria's economic potential is constrained by many structural issues, including inadequate infrastructure, tariff and non-tariff barriers to trade, obstacles to investment, lack of confidence in

currency valuation, and limited foreign exchange capacity. Sustained broad-based economic growth and poverty reduction are critical to its economic stability. USAID supports the Government's poverty alleviation efforts to improve agricultural productivity and expand jobs in rural areas. It also works to improve market access, increase the country's energy supply, reduce obstacles to trade, and expand access to clean water.

It supports customs regulation and policy reform to encourage internal and external trade, encouraging the use of U.S. African Growth and Opportunity Act incentives for trade with the United States, and developing private sector capacity to meet international trade and export standards. The body works closely with the Government of Nigeria to implement activities that promote increased trade. These activities include assisting the National Customs Service for customs reform and modernization, reducing congestion at the Lagos seaport and increasing transport flows along the Lagos-Kano Jibiya Transport Corridor; and building trade capacity at the Ministry of Commerce and Industry. At the same time, the body supports private enterprises to stimulate exports through training and capacity building that would bring about growth in the Nigerian economy (USAID, 2022).

Theoretical Literature

The Theory of Comparative Advantage

The theory of Comparative Advantage was propounded by David Ricardo in 1817. According to this theory; each country will specialize in the production of those commodities in which it has greater comparative advantage or least comparative disadvantage (Jhingan 2009). Therefore, a country will export those commodities in which its comparative advantage is the greatest, and import those commodities in which its comparative disadvantage is the least. Furthermore, according to this theory, countries should focus on the production of that commodity in which it has a comparative advantage, considering most SMEs in Nigeria could be based on the fact that SMEs are producers of certain goods and services which are sold abroad to gain and accumulate foreign trade, these goods include cocoa, yam, cashew nuts coffee, rubber and textile materials etc. As long as Nigeria has a comparative advantage in these commodities, trade between Nigeria and other countries would always be possible and of great benefit to the country. Ricardo demonstrated that for the two nations without input factors mobility, specialization and trade could result in increased total output and lower costs than if each nation tried to produce in isolation. However, the Heckscher-Ohlin theory determines the pattern of production, specialization and trade among regions is the relative availability of factor prices (Factor endowment such as availability of resources including the gift of nature and as well as manmade means of production) and factor prices. Developing countries, Nigeria inclusive are richly endowed with rich mineral resources while some countries have much capital-intensive goods and countries that have much labour will export labour-intensive goods. The immediate cause of international trade always is that some commodities can be bought more cheaply from other regions, particularly in developing countries where only a few SMEs are involved in production, the unprocessed materials are usually exported to developed countries at cheaper rates, when it is transformed into finished goods or commodity they are imported and sold at an exorbitant prices, whereas in the same region their production is possible at high prices. Thus, the main cause of trade between regions is the difference in prices of commodities. One implication of this framework is that trade increases the real return to the factor that is relatively abundant in each country and lowers the real return to the other factors. The Schumpeter theory of innovation assumes that for a country to develop there must be some level of innovation, economic growth can be achieved by increasing inputs in the production process (Clemence, 2009). Similarly, SMEs are expected to grow by increasing inputs and introducing new methods of production in their production processes, and this in turn will accelerate and improve the economy. By innovation, he means the changes in the method of production and transportation, the production of new products, changes in the industrial organization, the opening of a new market etc. The idea of SMEs being innovative refers to the commercial application of new technology, new material, and new sources of energy instead of invention. Specialization justifies more resources to that particular production process thus leading to more innovation. The new trade theory argues that international trade can increase the rate of innovation and technological change. The innovative theory concept states that increased innovation is a catalyst for economic growth. Applying these theories to the Nigeria SMEs, Nigeria should use increased competition economic

growth and greater innovation production process that is labour intensive. However, Nigerian should produce and export goods they have more efficiency in production and export such goods for more revenue which brings about an increase in innovation in the Nigerian economy. Consequently, Schumpeter's theory posits that business innovation is the major reason for increased investment and business.

The Theory of Regionalism vs. Multilateralism:

This theory explores the choice between regional economic integration (such as free trade agreements between a group of countries) and global multilateralism (such as the World Trade Organization). It examines the trade-offs between deeper integration within a region and broader integration across the global economy, considering factors such as economies of scale, political considerations, and potential trade diversion effects. The theory of Regionalism vs. Multilateralism is not attributed to any single individual or a specific economist. Instead, it represents a broader framework used by scholars and policymakers to analyze and understand the trade-offs and choices involved in economic integration at regional and global levels. The concept of regionalism vs. multilateralism is frequently explored in the context of international trade and economic cooperation, where countries have the option to form regional trade blocs (like ECOWAS, NAFTA, or the European Union) or engage in multilateral agreements facilitated by institutions such as the World Trade Organization (WTO).

Nigeria's SMEs can benefit from regional integration within ECOWAS. Regionalism emphasizes deeper integration within a specific region, and in the case of ECOWAS, it means reduced trade barriers, harmonized policies, and a larger regional market. Nigerian SMEs can capitalize on the proximity advantages and preferential access to ECOWAS markets, allowing for increased trade, investment, and collaboration. Regional integration can provide opportunities for SMEs to expand their customer base, diversify their markets, and benefit from economies of scale within the ECOWAS region.

Also, Nigerian SMEs can engage in global trade beyond the ECOWAS region through multilateralism. Multilateralism focuses on broader integration across the global economy facilitated by institutions like the World Trade Organization (WTO). Nigerian SMEs can leverage global trade agreements, such as the General Agreement on Tariffs and Trade (GATT) and various bilateral and multilateral trade agreements, to access markets worldwide. This allows SMEs to expand their reach beyond regional borders and tap into broader opportunities in the global marketplace. Moreover, the theory of regionalism vs. multilateralism underscores the importance of trade facilitation and support for SMEs. In the context of Nigeria's economic integration efforts, both within ECOWAS and globally, it is crucial to provide the necessary infrastructure, streamlined customs procedures, and regulatory harmonization to facilitate trade for Nigerian SMEs. Regional integration initiatives should focus on reducing non-tariff barriers, improving transport connectivity, and simplifying trade processes within ECOWAS. Similarly, multilateral trade agreements can offer frameworks and mechanisms to address trade barriers, protect intellectual property rights, and provide dispute resolution mechanisms, benefiting Nigerian SMEs engaged in global trade. In sum, Nigeria can adopt a complementary approach that combines regionalism and multilateralism to support its SMEs. By utilizing regional integration within ECOWAS, Nigerian SMEs can establish a solid foundation for growth and trade within the immediate region. Simultaneously, Nigeria can actively engage in multilateral trade negotiations and trade agreements to create opportunities for SMEs in markets beyond ECOWAS. A complementary strategy allows Nigerian SMEs to tap into regional markets while simultaneously expanding their global reach.

Empirical Review

Ogbokor (2001), investigated the macroeconomic impact of oil exports on the economy of Nigeria. Utilizing the popular OLS technique, he observed that economic growth reacted predictably to changes in the regressors used in the study. He also found that a 10% increase in oil exports would lead to a 5.2% jump in economic growth. He concluded that export-oriented strategies should be given more practical support.

Oviemuno (2007), looks at international trade as an engine of growth in developing countries taking Nigeria (1960-2003) as a case study, he uses four important variables, which are export, import, inflation, and exchange rate. The findings show that Nigeria's export value does not act as an engine

of growth in Nigeria, Nigeria's import value does not act as an engine of growth in Nigeria and Nigeria's inflation rate does not act as an engine of growth in Nigeria.

Taiwo, et al. (2012) in their study of the role of SMEs in promoting economic growth in Nigeria have revealed that there is strong nexus between SMEs activities and economic performance in Nigeria. Moreover, the study found that SMEs in Nigeria are faced with several challenges including financial constraints, high levels of corruption and lack of training and capacity building which have hindered their smooth activities. Omoju & Adesanya (2012) examined the impact of trade on economic growth in Nigeria using data from 1980 to 2010. Adopting the Ordinary Least Square (OLS) technique, the study showed that trade, foreign direct investment, government expenditure and exchange rate have a significant positive impact on economic growth.

Edoumiekumo & Opukri (2013) examined the contributions of international trade (proxy with export and import values) to economic growth in Nigeria measured by real gross domestic product (RGDP). Time-series data obtained for a period of 27 years was analyzed using Augmented Dickey-Fuller (ADF) test, Ordinary Least Square (OLS) statistical technique, Johansen co-integration test and Granger Causality test. The results showed that a positive relationship exists between the variables and there is co-integration among the variables. The Granger Causality test realized a uni-directional relationship showing that RGDP Granger causes export and import Granger cause RGDP and export.

Obokoh (2014) conducted a study on small and medium-sized enterprises' development under trade liberalization in Nigeria, the study reviews the policies implemented by the Nigerian government over the years to assist the development of manufacturing small and medium-sized enterprises (SMEs) following the implementation of Trade liberalization policy in 1986. The study utilized a structured questionnaire survey administered to 500 manufacturing SMEs operating in Lagos state to achieve its objectives. The result of the findings reveals that despite the laudable policies, the effects are not felt by most manufacturing SMEs due to improper planning and the absence of a favourable investment climate necessary for these policies to be effective.

Additionally, Chinweuba and Sunday (2015) investigate the relationship between SMEs and the economic growth of Nigeria. Their findings reveal that SMEs activities growth-enhancing through expansion in output and other various means of survival. According to Motilewa, et al. (2015), SMEs are key drivers of growth in Nigeria. They also state that such enterprises operate with multiple challenges including financial and managerial constraints.

Sanjo and Ibrahim (2017), examined the effect of international business on SMEs' growth in a competitive environment. The study adopted the ordinary least square model of data analysis. Their finding revealed that trade openness as a measure of competitiveness and foreign Direct Investment (FDI) has no significant effect on SMEs growth in Nigeria. It was also revealed that the exchange rate has a significant effect on SME's growth, and the level at which the exchange rate affects SME's growth is relatively high. It further shows that the exchange rate has a negative coefficient indicating that, as the exchange rate reduces SMEs growth increases.

Elijah and Ahmed (2019) examined trade liberalization as one of the drivers of economic development between 1986-2016, according to World Development Report, irrespective of unfavourable or favourable environments open economies perform better compared with closed economies. The study findings revealed that trade liberalization did not cause growth during the period of the study.

METHODOLOGY

Research Design

The research design that this study will adopt is quasi-experimental. To actualize the aim of this work, the researcher shall utilize both descriptive statistics and an econometric approach in this study. The descriptive research design used is meant to measure only the outcome and establish a relationship if any associations exist between variables. While time series data obtained from secondary sources will be used in this research, E-views shall be used for data processing.

Model Specification

This research work adopted the modified version of Bese and Friday (2021) analyzed the direct effect of long-term and short-term. The adopted model takes this form:

$$\ln(\text{RGDP})_t = w_0 + w_1 \ln(\text{EXP})_t + w_2 \ln(\text{IMP})_t + w_3 (\text{INTR})_t + w_4 \ln(\text{BCR})_t + w_5 (\text{EXR})_t + w_6 (\text{INFR})_t + u_t$$

where:

RGDP = Real gross domestic product.

EXP = Total exports.

IMP = Total imports.

INTR = Interest rate

BCR – Bank credit

EXR = Exchange rate

INFR = Inflation rate

The modified version of the equation will still have life Real gross domestic product (RGDP) as the dependent variable, while total exports, total imports, interest rate, bank credit, exchange rate and inflation rate will serve as explanatory variables.

The functional form of the models is presented as:

$$RGDP_t = F(\text{EXP}, \text{IMP}, \text{INTR}, \text{BCR}, \text{EXR}, \text{INFR})$$

The mathematical model is presented thus:

$$RGDP_t = \alpha_0 + \beta_1 EXP_t + \beta_2 IMP_t + \beta_3 INTR + \beta_4 BCR + \beta_5 EXR_t + \beta_6 INFR_t$$

The Econometrical model is expressed thus:

$$RGDP_t = \alpha_0 + \beta_1 EXP_t + \beta_2 IMP_t + \beta_3 INTR + \beta_4 BCR + \beta_5 EXR_t + \beta_6 INFR_t + \mu_t$$

Where:

RGDP = Real gross domestic product, EXP = Total exports, IMP = Total imports, INTR = Interest rate, BCR – Bank credit, EXR = Exchange rate, INFR = Inflation rate.

The apriori expectation is that $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6 > 0$

EMPIRICAL RESULTS AND DISCUSSIONS

Table 1: Philips Perron Unit Root Test for RGDP Model

VARIABLES	LEVEL				FIRST DIFFERENCE		REMA RKS
	T- statistics	5%	Prob.	T-statistics	5%	Prob.	
BCR	-1.4917	-2.9369	0.5275	-7.7480	-2.9390	0.0000	I(1)
EXP	-1.5325	-2.9369	0.5071	-7.1867	-2.9390	0.0000	I(1)
EXR	-0.5152	-2.9369	0.9852	-5.2125	-2.9390	0.0001	I(1)
IMP	1.1139	-2.9369	0.9970	-5.3605	-2.9390	0.0000	I(1)
INFL	-3.0189	-2.9369	0.0416	-		--	I(0)
INTR	-2.3200	-2.9369	0.1709	-6.8341	-2.9390	0.0000	I(1)
RGDP	0.0176	2.9369		-3.2556	-2.9390	0.0241	I(1)

Source: Extract from Eview 9

Using the Phillips-Perron test statistic as compared with the Test Critical Value of 5%, we can observe that all variables in the model became stationary after they were subjected to first differencing, except the inflation rate. The inflation rate was stationary at level and reverted to their mean value. This means that the variable behaves consistently and may result in reliable estimation when used at this level. Other variables show stationarity tendencies, as all their PP test statistics are greater than the various critical values at the 5% significance level on an absolute basis. Due to the nature of the observed unit root in all variables in the model except the inflation rate, the study proceeds to the stationarity test at the first difference in line with Box and Jenkins's (1970) procedure.

Table 2. Bounds Cointegration Test:

ARDL Bounds Test
 Date: 06/25/23 Time: 09:21
 Sample: 1983 2021
 Included observations: 39
 Null Hypothesis: No long-run relationships exist

Test Statistic	Value	k
F-statistic	5.848067	6

Critical Value Bounds

Significance	I0 Bound	I1 Bound
10%	2.12	3.23
5%	2.45	3.61
2.5%	2.75	3.99
1%	3.15	4.43

Source: author's compilation from EViews 9

Inferences drawn from Table 2 above show that the f-statistical value of **5.848067** is greater than the upper bound of the critical value of **3.61** at 5%. Therefore, we reject the null hypothesis of no long-run relationship and accept the alternative hypotheses of the existence of a long-run relationship. By implication, there is a long-run cointegration among the series in the hypotheses, and in the long run, there will be convergence. Since there is a long-run association, we then proceed to ascertain their long-run and error correction regressions.

ARDL Short Run Result:

ARDL Cointegrating And Long Run Form
 Dependent Variable: LOG(RGDP)
 Selected Model: ARDL(1, 3, 2, 3, 3, 0, 0)
 Date: 06/29/23 Time: 20:24
 Sample: 1981 2021
 Included observations: 38

Cointegrating Form				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(EXP)	0.000470	0.000468	1.002395	0.3287
D(EXP(-1))	0.000632	0.000415	1.521477	0.1446
D(EXP(-2))	0.000818	0.000380	2.155119	0.0442
D(IMP)	-0.000770	0.000761	-1.011940	0.3243
D(IMP(-1))	0.001684	0.000837	2.011527	0.0587
D(BCR)	0.005109	0.004209	1.214011	0.2396
D(BCR(-1))	-0.004319	0.004440	-0.972702	0.3429
D(BCR(-2))	-0.009629	0.005730	-1.680410	0.1092
D(EXR)	-0.000183	0.000306	-0.596799	0.5577
D(EXR(-1))	-0.000092	0.000409	-0.224384	0.8249
D(EXR(-2))	-0.001064	0.000366	-2.905372	0.0091
D(INFL)	-0.000740	0.000308	-2.405844	0.0265
D(INTR)	0.004856	0.001402	3.464988	0.0026
CoIntEq(-1)	-0.178349	0.055162	-3.233168	0.0044

$$\text{CoInteq} = \text{LOG(RGDP)} - (0.0153*\text{EXP} - 0.0303*\text{IMP} + 0.1251*\text{BCR} + 0.0063*\text{EXR} - 0.0041*\text{INFL} + 0.0272*\text{INTR} + 8.7453)$$

Source: author's compilation from EViews 9

Econometrically, the coefficient of the error term appeared with the normal sign (-) and was statistically significant at 5 per cent. Hence, the past disequilibrium will herald a long-run equilibrium at a speed of 0.178349 (17%) per cent annually.

In the short run, the coefficient of total exports in the second lag has a positive effect on the dependent variable and is significant at the 5% level. Therefore, a percentage increase in total exports will, all things being equal, amount to a 0.000818 increase in real gross domestic product in Nigeria. This implies that, when the volume of total export increases, it will bring about economic growth in the Nigerian economy. The coefficient of the inflation rate is negatively signed and statistically significant in the short run. A unit increase in the inflation rate would lead to a -0.000740 decrease in the real gross domestic product in Nigeria all things being equal. The interest rate coefficient is positively signed and statistically significant at a 5% level of significance. One per cent increase in interest rate would lead to a 0.004856 increase in gross domestic product in Nigeria *ceteris paribus*. All other variables such as bank credit, total import, and exchange rate are not significant at a five percent level of significance.

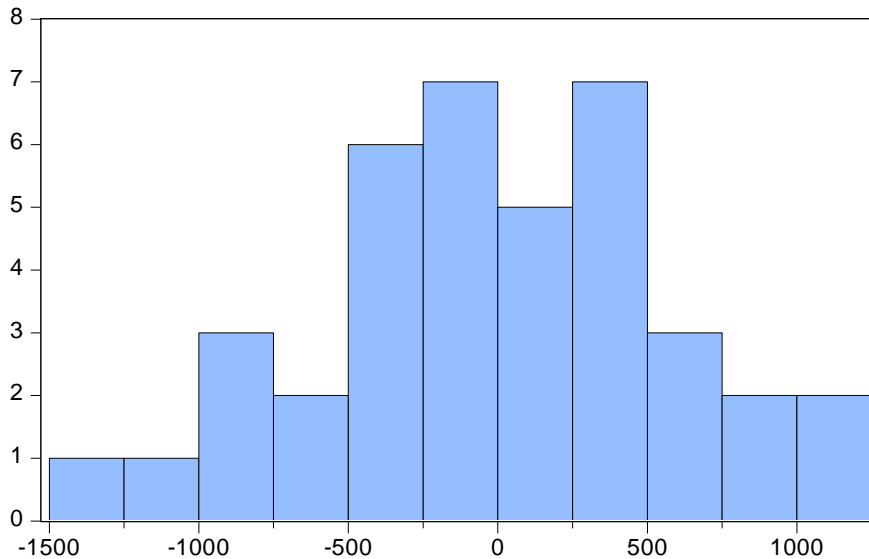
ARDL Long Run Result:

Long Run Coefficients				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
EXP	0.015332	0.003442	4.454744	0.0003
IMP	-0.030344	0.009310	-3.259365	0.0041
BCR	0.125095	0.044917	2.785050	0.0118
EXR	0.006316	0.001169	5.403981	0.0000
INFL	-0.004149	0.002174	-1.908427	0.0716
INTR	-0.027229	0.008439	-3.226627	0.0044
C	8.745302	0.304481	28.721996	0.0000

Source: author's compilation from EViews 9

The coefficient of total exports has a positive effect on RGDP and is significant at a 5 percent level of significance. Therefore, an increase in total exports as a result of international trade or trade openness will amount to a 0.015332 increase in real gross domestic product in Nigeria in the long run. This implies that, when the volume of total exports increases it will bring about an increase in economic growth in Nigeria in the long run. This finding is at variance with that of Oviemuno (2007), who observed that an increase in export does not bring about economic growth. The coefficient of total imports is negatively signed and statistically significant at a 5% level of significance. It thus means that a one percent increase in total imports as a result of trade openness, would lead to a -0.030344 decrease in the real gross domestic product in Nigeria in the long run. Bank credit to small and medium scale enterprises coefficient is positively signed and statistically significant the 5% level of significance. A unit increase in bank credit would lead to a 0.125095 increase in real gross domestic product in Nigeria in the long run. The finding is in agreement with that of Taiwo, et al. (2012). The coefficient of exchange rate is positively signed and statistically significant at 5% level of significance. A one percent increase in the exchange rate would lead to a 0.006316 increase in gross domestic product. It thus means that an increase in exchange rate would positively affect small and medium-scale enterprises and international trade in the Nigerian economy in the long run. This finding is not in agreement with that of Sanjoand & Ibrahim (2017). The coefficient of interest rate is negatively signed and statistically significant. One per cent increase in the coefficient of interest rate would lead to a -0.027229 decrease in real gross domestic product in Nigeria in the long run.

Post estimation Test for RGDP Model



Series: Residuals	
Sample 1983 2021	
Observations 39	
Mean	-3.68e-12
Median	-13.02483
Maximum	1173.058
Minimum	-1332.256
Std. Dev.	596.4551
Skewness	-0.089685
Kurtosis	2.523910
Jarque-Bera	0.420607
Probability	0.810338

Source: author's compilation from EViews 9

In testing the validity of regression, the researcher check the normality of the regression residual. This very post-estimation test will enable the researcher to check if the estimated equation is in line with the basic assumption of the ordinary least square. Given the value of the Jarque- Bera statistic 0.420607 and its probability value of 0.810338, we assert that the residual is normally distributed.

Serial Correlation Result.

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	2.901940	Prob. F(2,21)	0.0771
Obs*R-squared	8.444723	Prob. Chi-Square(2)	0.0147

Source: author's compilation from EViews 9

In testing the serial independence of the error term, we employed Breusch- Godfrey Serial Correlation LM Test. Given the fact that the F- statistic value of 1.0771 and observed R-square value of 8.444723 are statistically insignificant with probability values of 0.0147. we assert that there is no evidence of serial correlation in the residual of the study and we conclude that the estimated equation is BLUE.

iii. Homoskedasticity Test:

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	2.028172	Prob. F(15,23)	0.0616
Obs*R-squared	22.20935	Prob. Chi-Square(15)	0.1024
Scaled explained SS	5.885611	Prob. Chi-Square(15)	0.9816

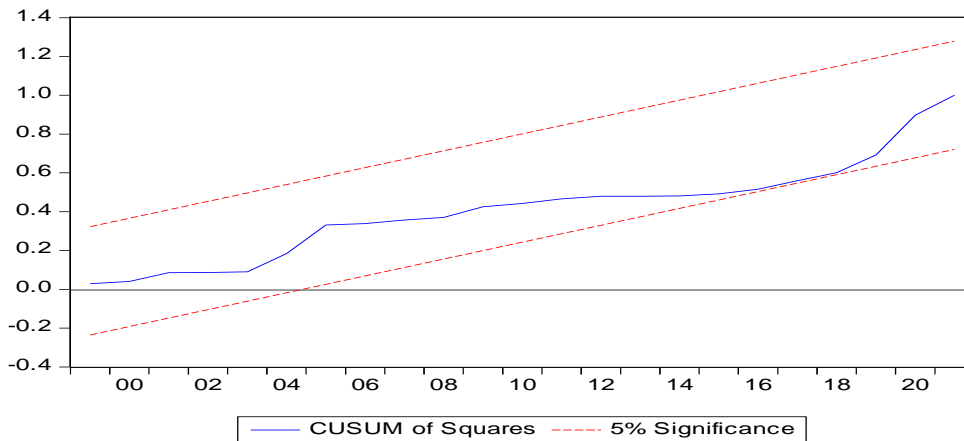
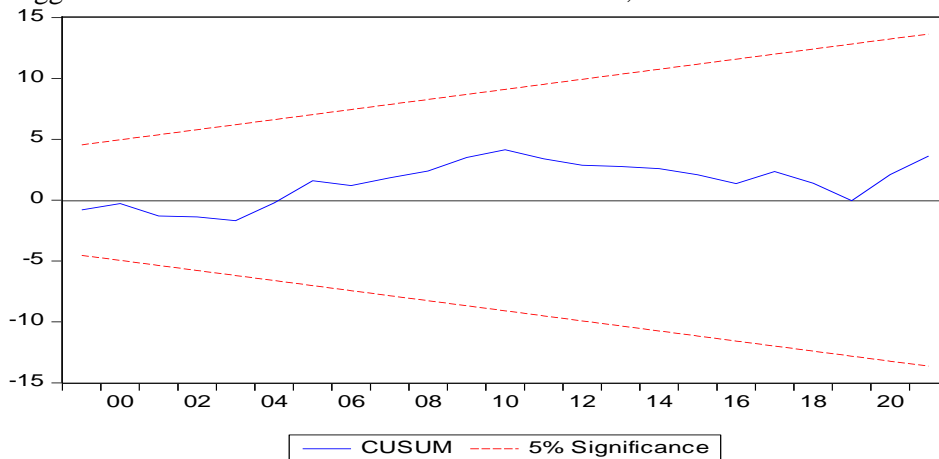
Source: author's compilation from EViews 9

In testing the equality of the variance of the residual as required in the basic classical least square assumption, we employed Heteroskedasticity Test: Breusch-Pagan-Godfrey. This test is the opposite of the homoskedasticity test and its valid to ascertain the validity of the classical least squares assumptions. Given the fact that the F statistic value of 0.0616, Obs*R-squared value of 22.20935 and Scaled explained SS value of 5.885611 and their probability values of 0.9816. Hence, we conclude that there is evidence of homoskedasticity in the residual and we conclude that the estimated equation is BLUE.

Stability Tests for RGDP

The test is meant to test the appropriateness and stability of the estimated ECM model. This is to check if the coefficient of the model is stable and can be used for prediction. The stability test was

conducted using the cumulative sum (CUSUM) and cumulative sum of square (CUSUMSQ) tests. If the plot of the CUSUM and CUSUMSQ for the model lies within the 5 per cent critical bound it is suggestive that the model is stable. From our results, the model is stable.



CONCLUSION/RECOMMENDATIONS

The study empirically examined the role of economic integration, specifically focusing on the effect of international trade and small and medium-scale enterprises on the Nigerian economy. The performance indicators include the bank credit, total export, total import, exchange rate, interest rate, inflation rate, exchange rate, and real gross domestic product for the period from 1981 to 2021. The study employed secondary data, which was gotten from the Central Bank of Nigeria's statistical bulletin. The employed data analysis techniques are the stationarity test, the autoregressive distributive lag technique, and the bounds cointegration test. Hence, the study revealed that: An increase in total exports as a result of international trade, and bank credit to small and medium-scale enterprises will bring about an increase in gross domestic product (Economic growth) in Nigeria in the long run. As well, a reduction in total import and interest rates would also lead to an increase in gross domestic product (Economic growth) in Nigeria in the long run. This will improve life expectancy rates in the short run and the long run. In light of the observed findings, it is recommended that:

- i. The Nigerian government should promote free trade to encourage small and medium-scale enterprises to export, which will increase the country's real gross domestic product.
- ii. The provision of bank credit at an affordable and considerate interest rate should be encouraged for small and medium-scale businesses in Nigeria.
- iii. To increase the contribution of small and medium-scale businesses to the gross domestic product, the exportation of manufactured goods, and employment in Nigeria, the government

must provide incentives, and subsidies, and improve technological and infrastructural development.

- iv. The Nigerian government must adopt a complementary strategy that will allow Nigerian SMEs to tap into regional markets while simultaneously expanding their global reach.
- v. By enacting positive economic reforms that will minimize the unfavourable effects of fluctuation of exchange rates on the economy and trade flows, the government will be able to induce the foreign exchange rate. By improving business activities, promoting entrepreneurship spirit, and fostering SMEs across the country, competition will be enhanced, business activities will be enhanced, and SMEs will be able to grow.

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