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Service Sectors Foreign Exchange Transaction Incentives and Economic Growth in Nigeria

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Abstract

The service sector is a crucial component of economic growth, and it has been noticed as a sector with a greater capability that plays role in sustained economic growth and development in developing countries like Nigeria. Therefore, the study seeks to examine the impact of service sectors' foreign exchange transaction incentives on economic growth in Nigeria. The study employed the Time Series data and used ARDL and ECM in the estimation of variables. both long-run and short-run results revealed that the transportation sector foreign exchange transaction incentive has a positive and significant impact on economic growth in Nigeria. On the other hand, the education sector foreign exchange transaction incentive has a negative and insignificant impact on economic growth in Nigeria both in the long and short run. Therefore, the paper recommended that government should adopt both long and short-term policies of transportation sector foreign exchange transaction incentives for economic growth in Nigeria because of its positive and significant impact on economic growth in the short run and long run and the government should redesign policy in improving the education sector foreign exchange transaction incentive for economic growth in Nigeria because of its negative and insignificant impact on economic growth in the short run and long run.

Keywords: *Service Sector, Foreign Exchange, Incentives, Economic Growth, Transaction*

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Background to the Study

Globally, industrial and service sectors have remained important and necessary for improved investment and economic growth. Many scholars believed that the service sector is a crucial component of every country's economy, and it has been noticed as a sector with the greater capability to become a significant driver of sustained economic growth and development in Africa (Rita, Chineze & Uche, 2020). Manufacturing-led development has been the traditional model for creating jobs and prosperity. But in the past three decades, the services sector has grown faster than the manufacturing sector in many developing economies. In 2019, the services sector accounted for an average of 55 percent of GDP and 45 percent of employment in developing economies (World Bank, 2020).

In Nigeria, the service sector consists of many industries such as banking, retail and wholesale trade, transportation, tourism, real estate, telecommunications, motion pictures (Nollywood), information and communication technology, entertainment, and education. It accounts for a significant proportion of the gross domestic product in most countries and makes a significant contribution to the share of total employment and distribution of gross domestic product (GDP) in those countries. For example, in 2021 agriculture contributed 23.36 percent to Nigeria's GDP, 31.41 percent came from industry, and 43.79 percent from the services sector and due to the contribution of these major service sub-sectors (education and transportation) to the economy they have enjoyed more foreign exchange transaction incentives in Nigeria than any other sub-sector in Nigeria (CBN, 2021).

This was due to the importance of the sectors in Nigeria in terms of skills and human capital development for the education sector and the free movement of goods and services from one place to another which is a major key to an increase in investment and production in developing countries like Nigeria. Aigbedion (2021) agreed with the fact that education is needed for the required industrialization in Nigeria in terms of capacity and technological demand for industrialization in Nigeria. Likewise, the transportation sector is very vital in the industrialization policy for developing countries like Nigeria.

Therefore, the education and transportation sub-sectors in Nigeria outside the foreign exchange transaction incentives have enjoyed other policies from the government to improve the sub-sector for economic growth in Nigeria. The education sector especially the tertiary institutions have enjoyed the Education Trust Fund (ETF) established in 1993 to receive education tax from companies registered in Nigeria and use it to support education through an Education Fund and The Tertiary Education Trust Fund (TETFUND) to improve their infrastructure and services and enhance quality and output (Inimino, Tubotamuno, & Shaibu, 2017). In the same vain, the transportation sector has enjoyed the Road Infrastructure Development and Refurbishment Investment Tax Credit Scheme which is a form of tax incentive granted to Nigerian companies (other than a corporation/sole entity) that engage in the construction and refurbishment of roads designated by the Federal Government of Nigeria as eligible and fuel subsidy to improve or support road transport systems in Nigeria.

Studies like Ojewumi and Oladimeji (2016) and Adeyi (2018) have argument on the role of fiscal policy and other monetary policy on economic growth in Nigeria but this study seek to undercore the importance and the impact of tax incentives foreign exchange transaction incentives on service sectors like transportation and education because both have significant contribution to the country gross deomestic product in Nigeria and the importance of these sectors to the economy has attracted government policies and programs. However, despite these policies and the attention of the various government in form of tax incentives foreign exchange transaction incentives and subsidies to improve this sector for economic growth, the Nigerian economic growth rate has been on the decline. Therefore, this study seeks to examine the impact of service sectors' foreign exchange transaction incentives on economic growth in Nigeria. The specific objectives are: to investigate the impact of transportation of sector foreign exchange transaction incentives on economic growth in Nigeria and to find out the impact of education services of foreign exchange transaction incentives on economic growth in Nigeria.

Materials and Methods

Conceptual Review

Foreign exchange incentives are special treatment to foreign exchange, including special exchange rates, special foreign debt-to-equity conversion rates, elimination of exchange risks on foreign loans, concessions of foreign exchange credits for export earnings, and special concessions on the repatriation of earnings and capital (Siyanbola, Adedeji, Adegbie & Rahman, 2017).

Olakunori (2006), defined transportation as the movement of people and goods from one location to the other. It is a means by which goods (raw material, production equipment, operating inventories, semi-finished goods and finished goods), as well as people, can get to or be made available where they are needed for commercials or non-commercial purposes, as at when desired.

Aigbedion (2021), defined education as the process that facilitates learning, or the acquisition of knowledge, skills, values, beliefs, and habits. According to him, educational methods include storytelling, discussion, teaching, training, and directed research. Education frequently takes place under the guidance of educators, but learners may also educate themselves. Therefore, education is very important for sustaining and developing people. With education, people can endure, mature, and acquire experience, wisdom, and the capability to fend for themselves as well as serve their communities and nation.

Finally, Muritala (2011), defined a country's economic growth as a long-term rise in capacity to supply increasingly diverse economic goods to its population. This growth capacity is based on advancing technology and the institutional and ideological adjustment that is demanded. In other words, economic growth refers to an increase in a country's potential Gross Domestic Product (GDP), although this differs depending on how the national product has been measured.

Empirical Review

There are many empirical studies on monetary concepts on economic growth across nations including Nigeria. Aigbedion and Anyanwu (2015), on the impact of public education expenditure on inclusive growth in Nigeria. The study used time-series data and the study used econometrics tools (unit root test, causality test, co-integration analysis and error correction model analysis) to estimate the data. From the findings, government education expenditure has a strong and positive impact and relationship with inclusive growth in Nigeria. The study also revealed government education expenditure for inclusive growth in Nigeria.

On the other hand, Aigbedion, Salihu and Omoruyi, (2015), examined the economic impact of the road transportation system in Nigeria and Multiple Regression of Ordinary Least Squares was used in analyzing the secondary data. The result indicated that there is a positive and significant relationship between the dependent variable (Gross Domestic Product) and the independent variables. The research findings suggest that road transportation has a positive impact on economic growth in Nigeria. From the findings, one of the challenges of the road transportation system in Nigeria is poor funding and management of the facilities across the nation. The study concluded that the government's attention to the road transportation system and even the entire transportation sector is inadequate, and monies meant for the maintenance of old projects and the development of new projects are often diverted. In another study, Ojewumi and Oladimeji (2016) empirically examined the effect of government funding on the growth of education in Nigeria. In the study, public expenditure on education was classified into two categories (recurrent and capital expenditure). OLS econometrics technique was used to analyze the data. The major finding showed that the impact of both capital and recurrent expenditure on educational growth was negative in Nigeria for the study period.

Similarly, Aigbedion, Iyakwari, and Gyang (2017), examined the impact of the education sector on economic growth in Nigeria. Time-series data were used and the study employed ordinary least squares (OLS) tools of analysis in the investigation of the impact and relationships among the economic variables, multiple regression model was also used and the data was estimated. The results revealed that the education sector has a positive impact on economic growth in Nigeria. This implies that economic growth can be improved by increasing education investment in Nigeria. But Government Expenditure on Education is negatively related to the Real Gross Domestic Product in Nigeria and statistically significant at a 5 percent level of significance in explaining variation in the Real Gross Domestic Product in Nigeria, this may be because education funds are not fully or properly utilized in Nigeria. Though this study was conducted in Nigeria, the study focused on economic growth and not human development.

While Adeyi (2018), examined the linkage between transportation and economic development. It also examined the supply and demand for transport and then described the foundations of the possible linkage between transport and economic development from historical and contemporary perspectives. The study used both theoretical models as econometrics models as the data were sourced from secondary sources to examine the impact of transportation on economic development. The study concluded that there is a positive relationship between transportation and economic development.

In another study, Awujola, Ugbaka and Ogwuche (2018), investigated the causal relationship between transportation and economic growth and transportation and employment in Nigeria. By applying techniques of co-integration and Hsiao"s version of Granger causality, the results infer that economic growth causes total transportation. Economic growth also leads to growth in road transportation, while on the other hand; neither economic growth nor rail transportation affects each other. However, air transportation leads to economic growth. The study implies that the transportation development policy regarding road transportation would not lead to any side effects on economic growth in Nigeria. However, transportation policy in the case of rail and air transportation should be adopted in such a way that it stimulates growth in the economy and thus expands employment opportunities.

While Nnubia and Obiora (2018), examined the effect of tax incentives on economic growth in Nigeria. The study adopted the *ex post facto* research design and used the Ordinary Least Square Method in their data analysis. Their results show that annual allowance was positive and had a significant impact on economic growth in Nigeria while investment allowance was negative and has a significant impact on economic growth in Nigeria.

In a recent study, Omodero and Nwangwa (2020), investigated the level of co-integration between education and economic growth in Nigeria and the causality effect of education on economic growth. The study employed a secondary form of data spanning from 2000 to 2018 and is sourced from UNESCO, World Bank and CBN statistical bulletin. The data are collected on GDP, education expenditure and gross enrolment ratio of higher education for the period under review. The study uses Johansen co-integration and Granger causality tests for analysis and the findings showed that education and economic growth in Nigeria have a long-term co-integration while the Granger causality test reveals that education and gross enrolment ratio of higher education are not affecting economic progress and the GDP is not influencing both of them too.

While Irughe and Edafe (2020), investigated the relationship between education and economic growth in Nigeria. The study adopted Ordinary Least Square (OLS) and Dynamic OLS approaches were employed for the analysis. Education was captured by enrolment rates at different levels of schooling and completion rate, which revealed that different levels of education have positive impacts of varying magnitude on each of the components of growth, as well as on overall growth in Nigeria, but the magnitude of the impact from completion rates is much higher on overall growth.

In a more recent study, Simeon and Igbogidi (2021), investigated the effect of primary school enrolment and public education spending on economic growth in Nigeria from 1987 to 2017 and the study used the Autoregressive distributed lag model (ARDL). Both the short-run and long-run models were nicely fitted with high coefficients of determination (R2) of about 62 percent. The result revealed that the primary school enrolment rate and public expenditure on education increased but their effects were less impactful on Nigeria's economic growth. The study concluded that the poor state of classrooms across, poor teacher-pupil ratio, unstable macroeconomic environment, dearth of instructional materials and more are the causes of educational service delivery in Nigeria.

In another study, Effiong and Okon (2021), examined the impact of the service sector on the economic growth of Nigeria and the Augmented Dickey-Fuller unit root, Granger Causality test, Vector Autoregressive (VAR) approach, Bounds test for co-integration, and vector error correction mechanism were utilized in analysing the data. The study revealed that a bidirectional causality exists between the service sector and the economic growth of Nigeria. However, the VAR result presented evidence of weak exogeneity of the service sector in predicting economic growth and both broad money supply and total government expenditure exerted a significant impact on economic growth. The paper concluded that there is a need for stimulating industrialization as this is the major pathway through which the service sector can significantly impact economic growth in Nigeria.

Finally, Enya and Ezeali (2021), examined public investment in infrastructure and the economic growth of Nigeria. The stationarity test carried out in the study showed that all the variables were stationary at the first difference, 1(1) and because of this the researchers proceeded to determine evidence of co-integration among the variables, hence the result of the co-integration test shows that there is evidence of 2 co-integration equations which shows that there is a long run relationship among the variables. The study had it that public investment in technology, educational infrastructure and power all have a positive relationship with the economy whereas transport has a negative relationship with the economy. The study concluded that public investment plays important role in stimulating the Nigerian economy, especially in this era of democracy.

Theoretical Framework

The study adopted the Keynesian theory as a theoretical framework. The Keynesian theory was presented by the British economist John Maynard Keynes. Keynes contrasted his approach with the aggregate supply-focused classical economies that preceded his book. The interpretations of Keynes that followed are contentions. Keynesian theory presupposed that government intervention can stabilize an economy, especially during a recession where there is little money to spend. The theory argues that with government intervention through incentives, there is increased spending and employment (Johan, Mahmud & Papageorgiou, 2014). However, in practical terms, it is possible to spur economic advancement through tax concessions and exchange rate incentives to attract investors and special to increase the productive capacity in developing countries like Nigeria. Therefore, the theory established the functional relationship between exchange rate incentives in the service sector and economic growth in Nigeria and this functional relationship can be established by:

$$Y = f(X) \qquad (1)$$

Where the Y is the dependent variable (economic growth in Nigeria) while X is the independent variables (exchange rate incentives in the service sector in Nigeria) and equation (1) formed the basis of model specification of this paper.

Methods and Model Specification

The paper adopted the *ex-post facto* research design and time series data were used and sourced

from the Central Bank of Nigeria from 1990 to 2021. The paper used the Auto-regressive Distributed Lag (ARDL) approach and error correction model (ECM) to establish the long and short-run impact of service sector foreign exchange transaction incentives on economic growth in Nigeria. This procedure was developed by Pesaran and Shin (1999) and was later expanded by Pesaran, Shin, and Smith (2001) and the procedure allows researchers to use variables that are integrated in order 0(1) and 1(1).

The model of this paper was adapted from the work of Nnubia and Obiora (2018) which was stated as follows:

$$GDP = a_0 + b_1AA + b_2IA + u_t \quad (2)$$

Where GDP is a gross domestic product, "AA" is an annual allowance, "IA" is an investment allowance, α_0 is the intercept or autonomous parameter estimate, β_1 *to* β_2 = Parameter estimate representing the coefficient of AA and IA respectively and Ut = Error term (or stochastic term). However, equation (1) was modified and specified based on objectives and hypotheses of the study. Thus functional relationship between service sector foreign exchange transaction incentives and economic growth in Nigeria is stated in equation 3:

$$egrn_t = f(\text{trsi}_t, \text{edsi}_t) \quad (3)$$

Where $egrn_t$ is the economic growth rate in Nigeria; trsi_t is the transportation sector foreign exchange transaction incentive in Nigeria and edsi_t is the education sector foreign exchange transaction incentive in Nigeria. The Autoregressive Distributed Lagged (ARDL) model was used to examine the impact of the service sector foreign exchange transaction incentives on economic growth in Nigeria will be specified as follows:

$$\Delta egrn_t = \alpha_0 + \sum_{i=1}^{n} \beta_1 \Delta egrn_{t-i} + \sum_{i=1}^{n} \beta_2 \Delta trsi_{t-i} + \sum_{i=1}^{n} \beta_3 \Delta edsi_{t-i} + \beta_4 \Delta egrn_{t-i} + \beta_5 \Delta trsi_{t-i} + \beta_6 \Delta edsi_{t-i} + \mu_t \quad (4)$$

The Error Correction Model (ECM) was used to examine the speed of adjustment of the model on the impact of service sector foreign exchange transaction incentives on economic growth in Nigeria which is specified as follows:

$$\Delta egrn_t = \alpha_0 + \sum_{e=1}^{h} \beta_1 \Delta egrn_{t-i} + \sum_{f=1}^{i} \beta_2 \Delta trsi_{t-i} + \sum_{g=1}^{k} \beta_3 \Delta edsi_{t-i} + ecm_{t-i} + \mu_t \quad (5)$$

Therefore, equation (5) was used to estimate and analyze the short-run impact of service sector foreign exchange transaction incentives on economic growth in Nigeria. The model, that is equation (5) above will be used to adjust the estimation until the ECM turned negative. The negative sign of the coefficient of the error correction term ECM (-1) shows the statistical significance of the equation in terms of its associated t-value and probability value.

Results and Discussion

Descriptive Statistics

Table 1 shows the descriptive statistics with 32 observations and the results of the descriptive statistics are Skewness, Kurtosis, Jargue-Bera and probability.

Table 1: Descriptive Statistics

	EGRN	TRSI	EDSI
Mean	4.313125	717.1403	186.3266
Maximum	15.33000	1988.440	720.0100
Minimum	-2.040000	0.000000	0.000000
Kurtosis	3.284605	1.909596	3.251378
Jarque-Bera	1.143160	3.066207	7.718135
Probability	0.564632	0.215865	0.021088
Observations	32	32	32

Source: Author's Computation, using E- views 12, 2023

Table 1 shows the descriptive statistics of the economic growth rate, transportation sector foreign exchange transaction incentive in Nigeria and education sector foreign exchange transaction incentive in Nigeria with 32 observations. The result shows the average economic growth rate in Nigeria to be 4.3 percent, the highest value for the period under study to be 15.3 percent and the lowest value to be -2.0 percent. While the average value for the transportation sector foreign exchange transaction incentive in Nigeria is 717.14 Billion Naira and the highest value is 1988.44 Billion Naira. Similarly, the average value for the education sector foreign exchange transaction incentive in Nigeria is 186.33 Billion Naira and the highest value is 720.01 Billion Naira.

The results also revealed that the economic growth rate in Nigeria and education sector foreign exchange transaction incentives in Nigeria are mesokurtic as their kurtosis values are greater than three (3), while transportation sector foreign exchange transaction incentive in Nigeria is platykurtic given that their kurtosis value is less than three (3). Finally, the probability values of the Jarque-Bera showed that only education sector foreign exchange transaction incentives were normally distributed at the 1%, 5%, and 10% normality tests.

Unit Root Test Result

Table 2 shows ADF unit root tests results of transportation sector foreign exchange transaction incentives, education sector foreign exchange transaction incentives and economic growth rate in Nigeria.

Table 2: Unit Root Test Result

	Augmented Dickey-Fuller (ADF) Test		
Variable	**@ Level**	**@ 1st Diff.**	**Status**
EGRN	-2.583435**	-	I(0)
TRSI	-	-6.746409**	I(1)
EDSI	-4.694768**	-	I(0)
Asymptotic Critical Values			
1%	-2.641672	-4.296729	
5%	-1.952066	-3.568379	
10%	-1.610400	-3.218382	

**** implies significance at 1% level, **implies significance at 5% level and *** implies significance at 10%***

Source: Author's Computation, using E- views 12, 2023

Table 2 shows ADF unit root tests results and the result revealed that the economic growth rate in Nigeria (EGRN) and Education Sector Foreign Exchange Transaction Incentives (EDSI) was stationary at a level which means that it was integrated of order zero I(0) at a 5% level of significance, while the Transportation Sector Foreign Exchange Transaction Incentives (TRSI) was stationary and integrated of order one I(1). This implies that the variables were integrated of order I(0) and order I(1) of the variables as postulated by Pesaran, et al. (2001).

Bounds Co-Integration Test Result

Table 3 shows the Autoregressive Distributed Lagged (ARDL) -Bound Co-Integration Test Using the ARDL Bound test with critical value (Pesaran, Shin and Smith, 2001).

Table 3: Result of Bounds Co-Integration Test

F-statistic	5.027739	
K	2	
Significance levels	I0 Bound	I1 Bound
10%	2.63	3.35
5%	3.1	3.87
2.5%	3.55	4.38
1%	4.13	5

Source: Author's Computation, using E- views 12, 2023

Table 3: shows the Autoregressive Distributed Lagged (ARDL) -Bound Co-Integration Test Using the ARDL Bound test with critical value (Pesaran, Shin and Smith, 2001), the variables were co-integrated at a 5 per cent level of significance since the Wald F- statistics of 5.027 is greater than the critical lower and upper bound 3.1 and 3.87 respectively. This implies that the variables which are the economic growth rate in Nigeria, transportation sector foreign exchange transaction incentives and education sector foreign exchange transaction incentives are co-integrated and the study proceeded to use the Autoregressive Distributed Lagged (ARDL) for the estimation and analysis.

The Regression Results

Table 4: ARDL Long-run Results

Independent variable (*EGRN$_t$*)				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
TRSI	0.003491	0.001208	2.889534	0.0075
EDSI	-0.004333	0.003562	-1.216684	0.2343
C	2.261046	1.168284	1.935357	0.0635

***Note**: ***, **, * indicate the statistical significance of coefficients at 1%, 5%, and 10%respectively, and the values in parentheses and block brackets are the probabilities*

Source: Author's Computation, using E- views 12, 2023

Table 4 shows the ARDL long-run results and results revealed that the transportation sector foreign exchange transaction incentive has a positive impact on economic growth in Nigeria and the probability value of 0.0075 shows that the transportation sector foreign exchange transaction incentive has a significant impact on economic growth in Nigeria. On the other hand, the education sector foreign exchange transaction incentive has a negative impact on economic growth in Nigeria and the probability value of 0.234 shows that the education sector foreign exchange transaction incentive has no significant impact on economic growth in Nigeria.

Table 5: Short-run Results

Independent variable (*EGRN$_t$*)				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
ECT	-0.816784	0.172787	-4.727103	0.0001
D(EGRN(-1))	-0.816784	0.185665	-4.399245	0.0002
D(TRSI)	0.002851	0.001233	2.312535	0.0286
D(EDSI)	-0.003539	0.003139	-1.127508	0.2694

***Note**: ***, **, * indicate the statistical significance of coefficients at 1%, 5%, and 10% respectively, and the values in parentheses and block brackets are the probabilities*

Source: Author's Computation, using E- views 12, 2023

From Table 4, the ECM parameter is negative (-) and significant which is -0.82, this shows that 82 percent of disequilibrium in the previous period is being corrected to restore equilibrium in the current period. Also, the short run revealed that the transportation sector foreign exchange transaction incentive has a positive impact on economic growth in Nigeria and the probability value of 0.0286 shows that the transportation sector foreign exchange transaction incentive has a significant impact on economic growth in Nigeria. On the other hand, the education sector foreign exchange transaction incentive has a negative impact on economic growth in Nigeria and the probability value of 0.269 shows that the education sector foreign exchange transaction incentive has no significant impact on economic growth in Nigeria.

Post Estimation Test

Table 6: Heteroskedasticity and Serial Correlation Test: Breusch-Pagan-Godfrey

Null hypothesis: Homoskedasticity			
F-statistic	0.870351	Prob. F(12,15)	0.5900
Obs*R-squared	11.49330	Prob. Chi-Square(12)	0.4872
Scaled explained SS	6.997882	Prob. Chi-Square(12)	0.8578
Breusch-Godfrey Serial Correlation LM Test			
F-statistic	1.388629	Prob. F(2,25)	0.2680
Obs*R-squared	3.099478	Prob. Chi-Square(2)	0.2123

Source: Author's Computation, using E- views 12, 2023

Table 6 shows the test for Heteroskedasticity. It indicates that the variables are free from the problem of Heteroskedasticity since the p-values of F-stat. and Obs*R-squared of 0.87 and 11.49 respectively are greater than the 5% significance level. This outcome is further strengthened by the p-value of 0.59 for the Scaled explained SS which also suggests the absence of Heteroskedasticity in the model of the impact of service sectors' foreign exchange transaction incentives on the economic growth rate in Nigeria and this implies that the absence of heteroskedasticity among the variables which are economic growth rate in Nigeria, education sector foreign exchange transaction incentives and transportation sector foreign exchange transaction incentives. Similarly, the Breusch-Godfrey Serial Correlation LM Test result revealed that there is the absence of serial correlation among the economic variables given the p-values of F-stat. and Obs*R-squared of 0.2680 and 0.212 respectively which are greater than the 5% significance level.

Discussion of Results

The result revealed that transportation sector foreign exchange transaction incentive has a positive and significant impact on economic growth in Nigeria both in the short and long run. On the other hand, the education sector foreign exchange transaction incentive has a negative and insignificant impact on economic growth both in the short and long run. This implies that any change in the transportation sector foreign exchange transaction incentive will lead to an increase in economic growth in Nigeria and it means that any increase in transportation sector foreign exchange transaction incentive will positively and significantly increase the level of economic growth in Nigeria and this finding agreed with work of Siyanbola et al., (2017) which concluded tax incentive has positive impact on economic growth in Nigeria. While any change in the education sector's foreign exchange transaction incentive will lead to a decrease in economic growth in Nigeria and this means that any increase education sector's foreign exchange transaction incentive will decrease the level of economic growth in Nigeria and this finding disagreed with the work of Inimino et al., (2017).

Based on the long run probability values, the transportation sector foreign exchange transaction incentive probability value of 0.0075 at 5 percent level significance the Null Hypothesis which states that H_{01}: transportation sector foreign exchange transaction incentive has no significant impact on economic growth in Nigeria is Rejected. While the education

sector foreign exchange transaction incentive probability value of 0.2343 at a 5 percent level significance the Null Hypothesis which states that H_{02}: education sector foreign exchange transaction incentive has no significant impact on economic growth in Nigeria is Accepted**.** Finally, the study of Nnubia and Obiora (2018) who examined the effect of tax incentives on economic growth in Nigeria and concluded that incentives have a positive and significant impact on economic growth in Nigeria which also agreed with this study and found that incentives in transportation service have a positive impact on economic growth in Nigeria.

Conclusion and Recommendations

In conclusion, both long-run and short-run results revealed that transportation sector foreign exchange transaction incentive has a positive and significant impact on economic growth in Nigeria and this implies that transportation sector foreign exchange transaction incentive can be used for economic growth policy instrument in Nigeria because higher the transportation sector foreign exchange transaction incentive the higher that level of economic growth Nigeria. On the other hand, the education sector foreign exchange transaction incentive has a negative and insignificant impact on economic growth in Nigeria and this implies that education sector foreign exchange transaction incentive cannot be used for economic growth policy instruments in Nigeria because higher the education sector foreign exchange transaction incentive the lower that level of economic growth Nigeria. Therefore, the paper recommended the following policies which are:

i. The government should adopt both long and short-term policies of transportation sector foreign exchange transaction incentives for economic growth in Nigeria because of its positive and significant impact on economic growth in the short run and long run.
ii. Government should redesign policy in improving the education sector foreign exchange transaction incentive for economic growth in Nigeria because of its negative and insignificant impact on economic growth in the short run and long run.

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Appendix I

Table 1: Data for Regression

YEAR	**EGRN** (%)	**TRSI** (₦B)	**EDSI** (₦B)
1990	11.78	Na	Na
1991	0.36	Na	Na
1992	4.63	Na	Na
1993	(2.04)	Na	Na
1994	(1.81)	Na	Na
1995	(0.07)	Na	Na
1996	4.20	Na	Na
1997	2.94	98.94	41.66
1998	2.58	137.99	9.51
1999	0.58	188.99	14.27
2000	5.02	356.12	25.61
2001	5.92	533.29	44.86
2002	15.33	456.28	47.03
2003	7.35	876.30	60.60
2004	9.25	948.01	67.88
2005	6.44	1503.96	84.35
2006	6.06	828.76	105.58
2007	6.59	1288.80	123.41
2008	6.76	1672.06	714.20
2009	8.04	1564.06	192.73
2010	8.01	1471.88	158.12
2011	5.31	1768.58	165.94
2012	4.23	1818.97	225.48
2013	6.67	1539.04	259.01
2014	6.31	1988.44	350.90
2015	2.65	912.45	579.34
2016	(1.62)	530.38	432.17
2017	0.81	406.76	514.16
2018	1.92	472.59	547.43
2019	2.21	679.84	210.36
2020	(1.79)	512.98	267.84
2021	3.40	393.02	720.01

Source: Central Bank of Nigeria Annual Reports from 1990-2021