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IMPACT OF BALANCE OF PAYMENT ON ECONOMIC GROWTH IN NIGERIA: A BOUND TEST APPROACH

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Abstract

This study examined the Impact of balance of payment on economic growth in Nigeria for the period of 1994-2022. The study adopts ex-post facto design in order to answer the research questions. The study utilizes secondary sources of data extracted from the central bank of Nigeria's annual financial statistics bulletin 2022. The study undertakes unit root test employing augmented Dickey-Fuller (ADF) method to determine whether the variables are stationary or not in order to avoid spurious results. To achieve this, the study employed the Auto regressive distributed lag (ARDL) method for estimation. The findings showed that current account (CUA) has positive and significant impact on gross domestic product in Nigeria during the period under study, similarly the findings showed that capital account (CAP) has positive and insignificant impact on gross domestic product in Nigeria during the period under review and furthermore the findings showed that financial account (FIA) has positive and insignificant impact on gross domestic product in Nigeria during the period of investigation. Therefore, the study found that balance of payment generally has positive impact on gross domestic product in Nigeria over the period of the study. The study recommends that government should continue to put embargoes on the importation of certain products and services that are produced and rendered locally in our economy so as to improve our balance of payment position and also alleviate the pressure on our domestic currency, the Naira.

Keywords: Balance of Payment, Current Account, Capital Account, Financial Account Economic growth, ARDL Model

1. Introduction

Balance of payment is a statement or account of all economic, monetary and financial transactions that is exercise between one country and the rest of the world within a stipulated period, usually annually. Balance of payment tracks and keeps record of all international monetary, financial and economic transactions between countries. Aliyu (2019) opined that the balance of payments account is a periodic report that summarizes the flow of economic transactions with foreigners. It provides information on the nation's exports, earnings of domestic assets owned by foreigners, international capital movements, and official transactions by Central Banks and governments. Nigeria has been operating a chronic balance of payment deficit resulting from excessive importation over exportation of products and services and several other transactions involving the movement of funds across borders. Nigeria is an import dependent economy and the major source of export is centered on oil and gas exportation. According to Nwanosike, Uzoechina, Ebenyi and Ishiwu (2017) 95% of all Nigeria's export are made up of oil and gas. As a result, the inflow of export receipts is highly dependent on energy prices.

Recently, the developing countries, Nigeria inclusive faced several problems hindering economic development, the most visible ones are the increased deficit of the state's general budget, the increased balance of payment deficit, the rise of inflation rates, either demand inflation or production costs inflation, the rise of unemployment rates and the existence of structural defects between fiscal and monetary policies. Besides, the economic deformations resulted from the difference between social and political targets, on the one hand, and the economic targets in managing and mobilizing the available economic resources.

A healthy balance of payments is essential for Nigeria's macroeconomic policy because it directly influences the economy. To determine a country's BOP, a number of factors can be taken into

consideration. However, a key factor is how much a country's individuals, businesses and government have transacted with other countries during a certain period of time (generally a year). The Balance of Payments (BoP) is used to describe international trade in goods and services and changes in national asset ownership (Bakaert & Holdrick, 2012). It is critical to remember that global economic volatility affects the domestic economy. Controls on international trade and capital may have an impact on the BOP as well.

Owing to the nature of Nigeria's export and import, there existed a persistent Balance of Payments deficit in the economy. Consistently, Nigeria has paid more to foreign countries than they receive, leading to gross depletion of Nigeria's Foreign Reserves. It has also attracted reduction in the country's productive capacities and persistent inflationary pressures. Consequence to the unfavourable balance of payment, articulated efforts have been made by monetary authorities especially, Central Bank of Nigeria (CBN), on how to drastically reduce the Balance of Payments deficits in the economy. This is usually done through the formulation and implementation of appropriate monetary policy measures. Over the years, different adjustment mechanisms to balance of payment disequilibrium have been developed, such the monetary approach, the Elasticity's Approach and the Absorptions Approach (Du Plessis et al 1998). Although the monetary policy approach to the balance of payment has been commended by many for explaining the balance of payments, it has been criticized by some scholars as an approach that ignores other parts of international trade in determining the balance of payments (Iyoha,2001).

According to Fleermuys (2005), the monetary approach to the balance of payments has been blamed for disregarding the fiscal and real factors that influence changes in the balance of payments, while concentrating only on monetary factors. The weak position in the country's current account was due to the deterioration in the services and income account, which outweighed the surplus recorded in the merchandise trade and involved net transfer account, Gbosi (2001). In recent years, there have persistent deficit in the country's balance of payments. Nigeria's balance of payments recorded remarkable improvement during the period 2004-2005. However, the situation worsened in 2008-2009 as a result of the global financial and economic meltdown coupled with the falling prices of crude oil in the international oil market Gbosi (2009). After all these measure at correcting balance of payments depicts yielded non-significance response of balance of payment on economic growth that informed the need to investigate the impact of balance of payment on economic growth in Nigeria.

For a long period now, Nigeria has suffered from an undiversified export basket and a somewhat inflexible import basket, as 95% of all exports are made up of oil and gas. As a result, the inflow of export receipts is highly dependent on energy prices that is volatile and the performance of one main sector. Furthermore, the services balance generally reports a deficit. This is the result of large imports of technical and financial expertise by oil companies. Nigeria mostly exports tourism and business services, but both sectors are relatively underdeveloped. The deficit on the income balance is a reflection of the profit repatriation by foreign oil producers. Growth performance of an economy is a function of domestic production, consumption and foreign transaction in goods and services. However, the foreign trade has been acknowledged as the engine of growth and development, but in Nigeria it reflect otherwise due to the consistent unfavourable balance of payment.

2. Literature Review

2.1 Conceptual and Theoretical Review

Balance of payment can be defined as a statement or account of all economic, monetary, and financial transactions that is exercise between one country and the rest of the world within a stipulated period, usually annually. Balance of payment tracks and keeps record of all international monetary, financial and economic transactions between countries (CBN 2017). It is important to note that in balance of payment computation, when funds leaves a country, a deduction is made whereas when funds comes into a country, a credit is added to the balance of payment account of that country. A country is said to have a balance of payment deficit or unfavourable balance of payment if its imports exceeds its export over a defined period, while a favourable balance of payment position or balance of payment surplus is attained when the export of a country exceeds its import.

Aliyu (2019) opined that the balance of payment is a periodic report that summarizes the flow of economic transactions with foreigners. It provides information on the nation's exports, earnings of domestic assets owned by foreigners, international

capital movements, and official transactions by central bank and governments. Nwanosike, Uzoechina, Ebenyi and Ishiwu (2017) see Balance of payment as the difference in total value between payments into and out of a country over a period. The balance of payments, also known as balance of international payments and abbreviated B.O.P. or BoP, of a country is the record of all economic transactions between the residents of the country and the rest of the world in a particular period of time, Nwanosike, (2010). The balance of payment position is very vital to macroeconomic policy makers since it gives account of all economic, finance and monetary transactions which will help them formulate policies that would enhance the growth and development of the economy through the attainment of price stability, low inflation rate, balance of payment equilibrium and a moderate exchange rate between the Naira and the US Dollars,

The concept of economic growth is associated with the growth in population, resources development, technological advancement and increasing capital formation. Economic growth can be defined as the increase in gross domestic product and per capita income of the country (Investopedia, 2018). Sources of economic growth have been the subject of an old debate in empirical macroeconomic. While numerous studies have been devoted to physical, capital investment, and technological change (Solow, 1956), to foreign direct investment (De Mello, 1999), to openness of the economy, to investment in human capital (Schultz, 1980), to research and development (Romer, 1986) as a source of economic growth, relatively little attention has been accorded to workers' remittances flows as a potential source of economic growth in developing countries.

Anyiwe and Oziegbe (2020) opined that economic growth connotes increase in outputs in various sectors, national product, national income, improved level of technology, health, education and urbanization. In addition, economic growth refers to as a long term rise in its capacity to supply increasingly diverse economic goods to its population. It is also a process by which the productive capacity of the economy is increased over time to bring about rising level of national output and income. On the other hand, economic growth is a long term process wherein the substantial and sustained rise in real national income, total population and real per capita income takes place. In addition, economic growth is the expansion of the system in one or more dimensions without a change in its structure. Thus, economic growth is related to a quantitative, sustained increase in the country's per capita output or income accompanied by expansion in its labour force, consumption, capital and volume of trade (Ukwueze, 2018).

Gross Domestic Product (GDP) is said to be a measure of aggregate output produced in an economy (Nwaiwu, 2015). This particular output can be classified according to Nwaiwu (2015) into three categories which include the total value of output produced, the total value of incomes yielded in producing the output and the total expenditures on the output. Nominal GDP is a nation's output calculated using the prices of goods and services at the time of production. However, prices change every year due to inflation, which is an increase in the general price level of an economy. Real GDP is a nation's GDP after it has been adjusted to reflect changes in the price level, while the GDP deflator measures the changes in price from current year to the year with which we want to compare GDP (Onakoya & Afintinni, 2016).

The study adopts growth model was propounded by Thirlwall (1979) and later extended by Thirlwall and Hussain (1982) as it basic theoretical connection as its more relevant to this study. The Thirlwall's model emphasized that, the Dynamic Harrod Foreign Trade Multiplier determine long-term economic growth. The model stresses that demand factors induced economic growth. In an open economy, the dominant constraint on demand is balance of payments. The basic idea of Thirlwasll's approach is how balance of payments affects the growth performance of an economy. This model links trade to growth because exports pull demand. Apparently, trade represents a vital constraint to economic growth when there are balance of payments problems. Nevertheless, even open new endogenous growth models, like those of Grossman and Helpman (1992) focus only on trade and economic growth and neglect balance of payments constraints. Interestingly, Thirlwall's approach emphasizes that neither trade nor financial liberalization nor strategies of export promotion can necessarily lead to better economic growth performance.

2.2 Empirical Review

Aliyu, Taiwo and Emmanuel (2020) analyzed the role of balance of payment on economic growth in Nigeria (an ARDL model approach). Data were obtained from

secondary sources; Central Bank of Nigeria Statistical bulletin of 2018. Unit root test on the time series data displayed a combination of 1(0) and 1(1) variables, the Autoregressive Distributed Lag (ARDL) Model was employed for data estimation. Several diagnostic tests such as auto-correlation test, Ramsey stability test, serial correlation test and test for heteroscedasticity were also carried out and they all confirmed the goodness of fit and validity of the model employed. Findings reveal that: balance of payment exerted a positive and significant impact on gross domestic product in Nigeria across the period covered by the study.

Adelegan, and Abraham (2020) examine the impact of Balance of Payments on economic growth in Nigeria using annual data from 1981 to 2019. The Autoregressive Distributed Lag Model (ARDL) was used in the investigation. Long-term results from the ARDL regression showed that the exchange rate coefficient was negative, whereas short-term results showed a positive value. Also, the coefficients of FDI, GDP growth, interest rates, current account, and crude oil prices were positive and significant. There is a strong case can be made for governmental intervention to improve economic productivity, as evidenced by this study. To help the economy thrive, capital investments and expenditures should be made. The government should make incentives to prospective foreign investors in order to attract FDI inflows into the country. Government should also enhance safety and security and build a sense of belonging in the Niger Delta in order to promote peace and ease of doing business in the petroleum industry.

3. Methodology

The study adopts ex-post facto research design to empirically examine the impact of balance of payment on economic growth in Nigeria during 1994-2022, which will provide a platform for the study to answer the raised research questions. Kerlinger (1973) describes the ex-post facto research, which is also called casual comparative research, as a design used when the researcher intends to determine cause-effect relationship between the dependent and independent variables with a view to establishing a causal link between them.

The study adopts the Autoregressive Distributed Lag (ARDL) model, which is an alternative to co-integration analysis and error-correction modeling developed by Pesaran and Pesaran (1997) and Pesaran and Shin (2001). The model is capable of evaluating macroeconomic variables by explaining more vividly that best captures the two-way relationship existing between the variables under study using their related lag numbers. The general form of the ARDL model is stated thus:

$y_t = \beta_0 + \beta_1 y_{t-1} + \beta_2 y_{t-2} .... + \beta_k y_{t-k} + \beta_0 x_t + \beta_1 x_{t-1} + \beta_2 x_{t-2} + ... + \beta_q x_{t-k} + u_t$, …….. (1)

Where: β_0 is the constant intercept; $\beta_1 - \beta_q$ are the parameter estimates; t-k is the lag length and u_t is the error term. The model estimate (p + k)k number of regressors to obtain optimal lag length where p is the maximum number of lags to be used and k is the number of variables in the model.

The conditional (unrestricted) ECM version of the selected ARDL model is obtained by rewriting equation (3.1) in terms of the lagged levels and first difference of y_t, x_{1t},, x_{2t}, ….x_{kt} and w_t as follows:

$$DLn\ (Y_t) = \beta_0 + \beta_1 \Sigma\ D(\ln X_1)_{t-1} + \beta_2 \Sigma D(\ln X_2)_{t-2} + \beta_3 \Sigma D(\ln X_3)_{t-3} + \beta_4 \Sigma D(\ln X_4)_{t-4} + ECM + U_{t-I} \quad .....(2)$$

Where, Y_t is the dependent variable and X_1, X_2, X_3 and X_4 are the independents variables.

Since all the variables are assumed to be endogenous, the long run and short-run parameters of the model are estimated simultaneously. With the ARDL model, an error correction model (ECM) is easily determined following a simple linear transformation, where the ECM integrates short run dynamics with long run equilibrium without losing long run information (Do & Zhang, 2016).

In line with the Auto Regressive Distributive Lag (ARDL) model developed by Pesaran and Shin (1999) and further extended by Pesaran et al. (2001), this study adopts the model of Adelegan, and Abraham (2020) examine the impact of Balance of Payments on economic growth in Nigeria. Thus, the model is hereby specified in functional form below:

$GDP_t = f(EXC, INT, CUA, FDI)$…..…… (3)

The mathematical and econometric form of equation (3.3) gives:

$GDP = \beta_0 + \beta_1 EXC + \beta_2 INT + \beta_3 CUA + \beta_4 FDI + \mu$… (4)

Taking logarithms of equation 3.4 gives:

$LnGDP = \beta_0 + \beta_1 lnEXC + \beta_2 lnINT + \beta_3 ln\ CUA + \beta_4 lnFDI + \mu$ ……..…….… (5)

Where:

GDP = Gross domestic product (Proxy for economic growth)
EXC = Exchange rate
INT = Interest rate
CUA = Current account
FDI = Foreign Direct Investment
β_0 = Constant term
t= time
μ= Stochastic Term
α, β1, β2, β3, β4 = Parameters
The model is adjusted to allow for the inclusion of variables that are of great importance to the study. Thus, the model is modify as presented below:

$GDP_t = f(CUA, CAP, FIA)$…..…..…… (6)
The co-integrating ARDL long-run relationship can be estimated using the following specifications:
$\Delta lnGDP_t = \alpha + \beta_1 lnCUA_{t-i} + \beta_2 lnCAP_{t-i} + \beta_3 lnFIA_{t-i} + \mu_t$……..……. (7)
The ARDL model specification of the above functional form is;

$lnGDP_t = \alpha + lnCUA_{t-i} + lnCAP_{t-i} + lnFIA_{t-I} + \mu_t$..… (8)

The next step is to estimate the short run dynamics of the parameters using the Error Correction Model (ECM). This is specified below:

$lnGDP_t = \alpha + lnCUA_{t-i} + lnCAP_{t-i} + lnFIA_{t-I} + ØECT_{t-1} + \mu_t$ (9)
Where:
CUA = Current account
CAP = Capital account
FIA = Financial account
β1, β2, β3, = Parameters
n = Optimal lag order of the model
Δ = Difference operator
μ = Stochastic Term
ECT = Error correction term.
Ø = Speed of adjustment parameter
A-Priori expectation becomes $\beta_1 > \beta_2 > \beta_3 > 0$

If the p-value is less than 5%, the study should reject the hypothesis otherwise, the hypothesis should be accepted.

4. Results and Discussion

Data collected from the various secondary sources consulted for regression analyses. These include annual time series on the current account (CUA), capital account (CAP), and financial account (FIA) on the economic growth proxy by gross domestic product (GDP) in Nigeria for the period 1994 to 2022.

Table 1: Augmented Dickey-Fuller (ADF) Test Results

Series	Unit Root at Level					Unit Root at First Difference				
	Critical T-Statistics	ADF T-Statistics	P-Values	Order of Integration	Remarks	Critical T-Statistics	ADF T-Statistics	P-Values	Order of Integration	Remarks
GDP	-3.580622	3.038011	1.0000	I(0)	Accept H_0	-2.981038	-3.893513	0.0065	I(1)	Reject H_0
CUA	-2.981038	-1.415749	0.5590	I(0)	Accept H_0	-2.981038	-5.393413	0.0002	I(1)	Reject H_0
CAP	-1.953381	-0.553113	0.4684	I(0)	AcceptH_0	-2.976263	-7.042965	0.0000	I(1)	Reject H_0
FIA	-1.953381	-2.776618	0.0073	I(0)	Reject H_0	-2.976263	-6.904913	0.0000	I(1)	Reject H_0

Source: Author's Computation 2023, using E-view 12.0 version

NOTE: Test was conducted at 5% Level of Significance

The unit root test results in table 1 shows that all the variables (GDP, CUA, CAP, and FIA) when tested at level or I(0), have unit root or are not stationary except FIA. This is evident by their having p-values which are greater than 0.05 level of significance except FIA that is otherwise. However, when the variables where tested at first difference or I(1), they (GDP, CUA, CAP, and FIA) all have no unit roots or became stationary. This is evident by their having p-values which are less than 0.05 levels of significance. In general, the unit root test results shows that the variables under study have a stochastic trend and are good for inclusion in the chosen model for their parameter estimation. This shows that the variables

have mixed order of integration, which makes it suitable for the application of ARDL.

Table 2: Cointegration (Bound) Test Result

F-Bounds Test		Null Hypothesis: No levels relationship		
Test Statistic	Value	Signif.	I(0)	I(1)
F-statistic	47.19047	10%	2.37	3.2
K	3	5%	2.79	3.67
		2.5%	3.15	4.08
		1%	3.65	4.66

Source: Author's Computation 2023, using E-view 12.0 version

The results of the ARDL bounds testing approach to cointegration in table 2 shows that the computed F-statistic of 47.19047 exceeds the upper (3.67) and lower (2.79) critical bounds at 5% levels. This reveals the existence of long run relationship among the variables (CUA, CAP, FIA, and GDP). Therefore, the null hypothesis of no long run relationship was strongly rejected at the 5% level of significance.

Table 3: ARDL Test Result

Dependent Variable: LGDP				
Method: ARDL				
Variable	Coefficient	Std. Error	t-Statistic	Prob.*
LGDP	1.020316	0.063428	16.08623	0.0038
LCUA	0.181264	0.090425	2.004563	0.0490
LCAP	0.025195	0.010160	2.479916	0.1313
LFIA	0.147335	0.075237	1.958279	0.1893
C	0.508329	0.599092	0.848498	0.4855
ECT(-1)*	-0.583944	0.005027	16.69889	0.0000
R-squared	0.973746	Mean dependent var		9.763886
Adjusted R-squared	0.974985	S.D. dependent var		0.628952
S.E. of regression	0.099475	Akaike info criterion		1.726336
Sum squared resid	0.019791	Schwarz criterion		1.572939
Log likelihood	14.76851	Hannan-Quinn criter.		2.057366
F-statistic	82.96864	Durbin-Watson stat		1.824830
Prob(F-statistic)	0.000644			

Source: Author's Computation 2023, using E-view 12.0 version

The long-run regression results obtained in table 3 above are interpreted as follows:

$$GDP_t = 0.508329 + 0.181264CUA_{t-1} + 0.025195CAP_{t-2} + 0.147335FIA_{t-3} - 0.583944ECT$$

$$S_E: \quad (0.599092) \quad (0.090425) \quad (0.010160) \quad (0.075237) \quad (0.005027)$$

The regression results showed that all the variables of the study (CUA, CAP and FIA) have coefficients that conformed to the model apriori expectations by been positive. This implies that CUA, CAP and FIA have impacted positively, on gross domestic product (GDP) in Nigeria during the period under review. The estimated parameter coefficients, β_1 (0.181264), β_2 (0.025195), and β_3 (0.147335) implies that, all things being equal, conversely a unit change in CUA, CAP, and FIA, tend to increases the GDP by 18.1264%,, 2.5195% and 14.7335% respectively, during the period under review. On the other hand, the constant intercept parameter coefficient β_0 (0.508329**)** implies that, in the presence of any balance of payment surplus, GDP tend to increase by 50.8329% during the period under reviewed in Nigeria.

The 0.973746 coefficient of multiple determinations (R^2) shows that up to 97.6% of the variations (changes) in the GDP were explained by the explanatory variables (CUA, CAP and FIA). The remaining 2.4% variations are unexplained due to other factors, which are affecting GDP but not captured in the model or due to the error of measurement (U_i). This is a good fit of the model and shows that the data collected

is suitable for balance of payment policy analysis in Nigeria.

The high value of the calculated F-statistics (82.96864) provided sufficient evidence to reject H_0 and conclude that the model is statistically significant in explaining the behaviour of the dependent variable in the long-run.

Similarly, the 1.824830 value of Durbin Watson statistics which is above its minimum table value of 1.7000 provide the evident NOT to reject H_0 and conclude that the model is free of serial (autocorrelation) and can be confidently relied upon for hypotheses testing and forecasting.

The coefficient of ECT (-0.583944) which is the speed of adjustment shows that the system will get back to equilibrium at a speed of about 58.4% when disturbed. Its probability value of 0.0000 which is less than 5% (0.00 < 0.05) level of significance, implies that the speed of adjustment to equilibrium is significantly.

Table 4: Granger Causality Test Results

Pairwise Granger Causality Tests					
Null Hypothesis:	Obs	F-Statistic	Prob.	Decisions	Remarks
CUA does not Granger Cause GDP	27	3.48722	0.0484	Reject H_0	Unidirecti
GDP does not Granger Cause CUA		1.18774	0.3237	Accept H_0	onal
CAP does not Granger Cause GDP	27	7.98276	0.0025	Reject H_0	Unidirecti
GDP does not Granger Cause CAP		4.65334	0.0206	Accept H_0	onal
FIA does not Granger Cause GDP	27	0.56186	0.5781	Accept H_0	No
GDP does not Granger Cause FIA		2.29881	0.1240	Accept H_0	Causality

Source: Author's Computation 2023, using E-view 12.0 version

The results of granger causality test presented on table 4 reveals that there is causality from current account (CUA) to gross domestic product (GDP) since the p-value of CUA is less than 0.05% we reject H_0 and conclude that there is causality from CUA to GDP. The p-value of GDP is greater than 0.05% we accept the H_0 and conclude that there is no causality from GDP to CUA. This implies that there is a unidirectional relationship between current account (CUA) and gross domestic product (GDP) in Nigeria. This suggests that, to a large extent current account tend to exhibit strong influence on gross domestic product in Nigeria during the period of the study and not vice versa.

Similarly, the results on table 4 reveals that there is causality from capital account (CAP) to gross domestic product (GDP) since the p-value of CAP is less than 0.05% we reject H_0 and conclude that there is causality from CAP to GDP. The p-value of GDP is greater than 0.05% we accept the H_0 and conclude that there is no causality from GDP to CAP. This implies that there is a unidirectional relationship between capital account (CAP) and gross domestic product (GDP) in Nigeria. This suggests that, to a large extent capital account tend to exhibit strong influence on gross domestic product in Nigeria during the period of the study and not vice versa.

Furthermore, the results on table 4 reveals that there is no causality from financial account (FIA) to gross domestic product (GDP) since the p-value of FIA is greater than 0.05% we accept H_0 and conclude that there is causality from FIA to GDP. The p-value of GDP is greater than 0.05% we accept the H_0 and conclude that there is no causality from GDP to FIA. This implies that there is no causal relationship between financial account (FIA) and gross domestic product (GDP) in Nigeria. This suggests that, to a large extent financial account tend to exhibit no influence on gross domestic product in Nigeria during the period of the study and vice versa.

The variables stability test result is hereby shown in figure below:

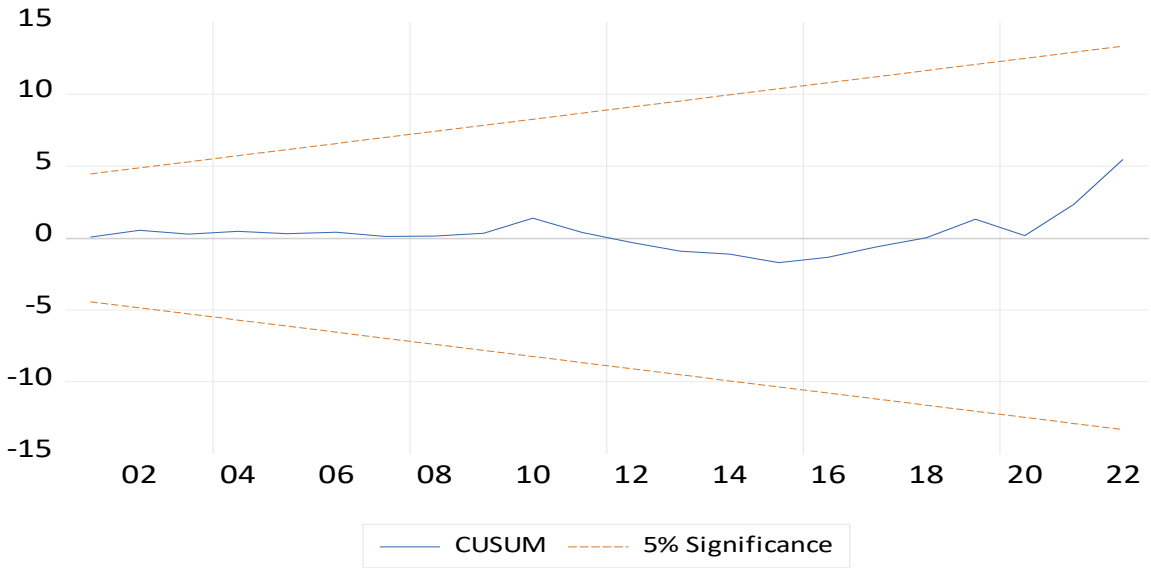

Fig 1: cumulative sum of the recursive residuals (CUSUM)

Source: Author's Computation 2023, using E-view 12.0 version

The stability test result in figure 1 above shows that the cumulative sum of the recursive residuals (CUSUM) lays between the two critical red lines at 5% level of significance. We therefore, reject H_0 of no parameter stability and conclude that the variable's parameters are stable and the model is stable for long-run forecasting. This signifies that the ARDL estimates are partially dynamically and structurally stable, consistent and reliable.

5. Conclusion, Recommendations and Policy Implications of Findings

The study examined the impact of balance of payment on economic growth in Nigeria for the period spanning 1994 to 2022. Given the result of the unit root test and the ARDL bound to co-integration test, it was revealed that the variables are co-integrated. Consequent to the co-integration result, the model was analysed using the error correction method based on ARDL of analysis. Based on the analysis, the long run regression estimate revealed that the current account, capital account, and financial account had positive impact and mixed significant impact on the gross domestic product in the long-run. In addition, the short run revealed that the overall impact of balance of payment had a positive and significant impact on gross domestic product.

The study recommends that government should continue to put embargoes on the importation of certain products and services that are produced and rendered locally in our economy so as to improve our balance of payment position and also alleviate the pressure on our domestic currency, the Naira.

To stimulate economic growth and sustainable economic development, Nigeria must reduce the demand for imports and increase the supply for exports, through balance of payments constraint alleviating strategies, such as export-based growth policy.

The monetary authorities can use exchange rate alignments to develop the external sector of the Nigerian economy, via the non-oil export thereby solving the BoP disequilibrium Problem.

Finally, the government should increase the nonoil exports and diversify the productive base of the Nigerian economy to correct the deficits in the current account of the country's balance of payments.

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