

How Does the International Business Effectuated on Economic Growth of Somalia (1960–2020)

 **Abdirahman Ahmed Ali**

Istanbul Commerce University, Turkey

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Abstract: The purpose of this study was to establish the impact of foreign trade on economic growth of Somalia. The study was guided by the following specific objectives: to determine the impact of exports on economic growth of Somalia, to investigate the impact of imports on economic growth of Somalia. The study was guided by the theory of comparative advantage, the theory of absolute advantage as well as the neoclassical theory of growth. Correlation research design involving quantitative methods was adopted. Secondary data was collected from World Bank on exports, imports, custom taxes, total tax revenue and gross domestic product as well as the GDP growth rates covering the period of 1960 to 2020. Descriptive statistics covering means and standard deviation, linear and multiple regression analysis were adopted. The findings indicated that exports ($r=0.483$, $\beta=.324$, $p<0.05$ & $t>1.96$) as well as imports ($r=.378$, $\beta=.069$, $p<0.05$ & $t>1.96$) have positive and significant impact on economic growth of Somalia. The study concludes that foreign trade has significant impact on economic growth of Somalia.

Keywords: Foreign Trade, Exports, Imports, Economic Growth, Somalia

JEL Classification: O47

1. Introduction

International trade is also called foreign trade and it comprises of the imports and exports of goods and services in a given State. A significant portion of the Gross Domestic Products (GDP) of the country arises from the value of exports and imports (Sujová, Simanová, Kupčák, Schmidtová & Lukáčiková, 2021). The implication of this assertion is that international trade has some correlation with the growth of the economy as a whole. In an economy that is open, any efforts to develop foreign trade would have an implication on growth of the GDP. Without international trade, there would be a limitation in terms of the produced goods and services at the country level (Xu, Li, Chau, Dietz, Li, Wan & Liu, 2020). Thus, the gains from international trade are promoted by trade openness. Trade openness is commonly operationalized as the total value of exports and imports relative to GDP of the country.

On a global perspective, Edoun and KGaphola (2017) observed that international trade has made India to be regarded as a trading hub taking this position after China. Increasing the returns and inflow from international trade require countries to relate well with others (Partridge, Rickman, Rose Olfert & Tan, 2017). This was demonstrated by Ghaffar, Munir, Nawaz and Javaid (2019) who observed that Pakistan has formed good relationship with other countries for some years and this has worked to boost the returns generated from foreign trade. With emphasis on Malaysia as one of the developing countries, Borhan and Subramaniam (2020) operationalized international trade as trade openness, foreign direct investment and exchange rate. Contrary to the expected relationship, Borhan and Subramaniam (2020) failed to establish a significant interlink between exports and the growth of the economy.

Regionally, Okenna and Adesanya (2020) focused on Africa's developing countries sharing that institutionalization of such policies as use of subsidies, tariffs and duties on imports and exports. International trade is part of the salient macroeconomic driver that developing countries should embrace to stimulate their economic growth. Within Nigerian context, Azeez, Dada and Aluko (2014) operationalized foreign trade using exports, imports and trade openness and all these were asserted to have significant implication on the growth of the economy. This means that exports and imports are critical components of international trade in any country. According to Abendin and Duan (2021), it emerged that in Africa, there is a direct link between the growth of the economy and growth when the interaction is viewed within a digitally established economy. Stimulating foreign trade require the country to consider effects of taxation in importation and exportation of goods. In most cases, imports and exports attract custom duties and when these are too heavy, they may discourage foreign trade (Gnangnon, 2019).

Locally in Somalia, Asir, Mukhongo and Datche (2019) used exports, foreign direct investment and market expansion as proxies of international trade. Noted was the fact that international trade promotes the growth of the economy in general. According to World Bank (2021), limited volume of exports is supplied by Somalia to some selected few markets around the world. For instance, in 2018, the top five exports in Somalia were equivalent to 83% of the overall exported goods (World Bank, 2021). As shared by Ali, Ali and Dalmar (2018), while exports and economic growth are not significantly related, exports and GDP are significantly linked with each other. Ali et al. (2018) further documented that in Somalia, exports and imports are deemed as key sources of the growth of the economy in Somalia. It is therefore against this background that the focus

of the present study was to determine how foreign trade impacts on economic growth taking a panel of 61 years (1960–2020).

1.1 Problem Statement

Somali is among the countries in the Horn of Africa that has undergone long periods of conflicts causing significant loss of life. It is estimated that about 43% of Somali's survive on US\$1.00 and less on a daily basis while 73% survive on US\$2.00 or less in a day (United Nations, 2016). Since 1991 following the collapse of Somalia, international trade also broke down at this time. The past two decades have seen a rise in the level of poverty in Somalia (Menkhaus, 2016). Thus, the initiative to link economic growth of Somalia with foreign trade policies is critical for the all the current recovery efforts demonstrated by different actors. A country with limited trading partners like Somalia risks the possibility of slowing down the growth of the economy. This is because no country can be fully endowed with all the necessary resources for sustainable economic development without participating in international trade. According to Warsame (2014), the long periods of civil war resulted into isolation of Somalia from international trade, and this should be analyzed to determine if it impacted on the growth of the economy.

The existing studies include Edoun and KGaphola (2017) who used India to come up with the implications of international trade on emerging economies. It was demonstrated that international trade has transformed India into a trading hub. The study by Ghaffar et al. (2019) in Pakistan noted that international trade fosters economic growth. In Nigeria, Azeez et al. (2014) analyzed the link between international trade and economic growth where a significant relationship was identified. In Malaysia, Borhan and Subramaniam (2020) established that exports do not significantly enhance the growth of the economy. Locally in Somalia, Asir *et al.* (2019) shared that foreign trade and economic development are significantly connected.

Therefore, the existing studies create gaps as some were done in different contexts like Malaysia (Borhan & Subramaniam, 2020), India (Edoun & KGaphola, 2017) and not in Somalia. Other studies (Borhan & Subramaniam, 2020) and (Ghaffar *et al.*, 2019) provide contradictory findings with regard to foreign trade and economic growth. Other studies (Asir *et al.*, 2019) focused on economic development and not economic growth as a dependent variable. Therefore, in order to fill these gaps, the present study sought to establish the impact of international trade on economic growth of Somalia (1960–2020).

1.2 Research Objectives

The study was guided by the following specific objectives:

- i. To determine the impact of exports on economic growth of Somalia
- ii. To investigate the impact of imports on economic growth of Somalia

1.3 Research Hypotheses

The study tested the following research hypotheses:

H1: Exports have significant impact on economic growth of Somalia

H1: Imports have significant impact on economic growth of Somalia

2. Literature Review

A theoretical review focuses on analyzing the relevant theories that can be used to underpin and support the variables in a study. This study was supported by the theory of comparative advantage as well as the neoclassical theory of growth.

2.1 The Theory of Comparative Advantage

This theory was developed by Ricardo (1800) who shared that a country can boost of its economic growth by paying more attention in the industry that it has some level of comparative advantage (Costinot, 2009). The argument of this theory is that international trade increases the efficiency at which a country can utilize her resources. This is because through international trade, nations can import products as opposed to utilizing a lot of resources in producing the goods and services. This implies that just as exports, imports are equally critical for the growth of the economy (Schumacher, 2013). This is to mean that both imports and exports are two complementary and inseparable constructs. Comparative advantage is the ability of the country to produce a given product at an opportunity cost that is lower relative to another partner in trade (Piermartini, 2004).

The theory brings an introduction of opportunity cost as a factor that need to be analyzed in selecting between available options of producing products in an economy (Widodo, 2009). This opportunity cost is viewed as a tradeoff. This theory provides an explanation of why trade protectionism is not operational in the long run in an economy (Costinot & Donaldson, 2012). A country can develop or raise tariffs as a way of protecting job opportunities from foreign competition. However, this is only a temporary measure since a country will waste resources on unsuccessful industries. Comparative

advantage would result into specialization in production and countries to exchange bridge the gaps (Costinot, 2009).

2.3 The neoclassical growth theory

This theory was developed by Solow and Swam (1956) and it based on the premise that in the long run, economic growth is largely impacted by exogenous advancement in technology. Thus, foreign trade may have an implication on the growth of the economy if it enhanced the advancement in technology (Hahn, 2010). Apart from technology, the theory also argues that additional factors including capital and labor would impact on economic growth of the country (Zhang, 2018). In as much as countries have resources for instance labor and capital, technology critically contributes towards economic growth (Solow, 2001).

The theory argues that in short term, economic equilibrium arises from differing quantities of capital and labor which are needed during the production process. The theory suggests that a change in technology has an influence on the general operation of the economy (Setterfield, 2009). The theory further argues that accumulation of capital to the economy and how it is utilized by people significantly influences the growth of the economy (Ben-David & Loewy, 2003). The theory provides a further argument that total output is determined by how labor and capital relate with each other. Another argument of this theory is that technology helps in augmenting productivity of labor which in turn grows the overall outputs since there is more efficiency of labor (Boianovsky & Hoover, 2009).

2.4 Empirical Review

2.4.1 Exports and Economic Growth

Mendoza-Cota (2017) focused on Mexico top link exports and the growth of the economy. The period of focus of the study was 2007 all through to 2014. Panel cointegration model was the adopted methodology in this study. Results show that exports have a direct but weak link with economic growth. Focusing on Pakistan, Ali (2017) evaluated the role that exports play as far as the growth of the national economy is concerned. The horizon covered in this study ranged from 1972 all through to 2015. The adopted methodology was Auto-Regressive Distributed Lag Model Approach. Noted from the results was the fact that exports a significant role as far as economic growth of the country is concerned.

By utilizing causality tests while focusing on Japan, United States and European Union, Dritsakis (2006) sought to bring out interplay between exports and economic growth. It emerged that exports have a causal implication on the process of development of the nation. This means that exports are critical economic progress of the country. Sann (2017) focused on Myanmar over the period 1990 to 2015 in analyzing the link between exports and economic growth. Data on foreign direct investment, imports and exports were collected on annual basis. The methodology adopted in the study was Autoregressive Distributed Lag (ARDL). Unit root of the data was explored through augmented dickey fuller (ADF) test. The inquiry established existence of a significant long run implication of exports on GDP of Myanmar. It further noted that FDI and exports all have a direct and significant effect on economic growth. However, imports had positive but insignificant long run implication on economic growth.

While focusing on Gulf Cooperation Council (GCC) countries, Kalaitzi and Chamberlain (2020) conducted an examination of exports and their implication on economic growth. The focus of the inquiry was on analyzing whether exports can spur the growth of the economy. The composite out of the studied countries were expressed as function of imports, exports, human and physical capital. The horizon covered by the study was 1975 to 2016 and information was gathered from World Bank. The obtained data was expressed in their real terms leveraging the GDP deflator at World Bank. The study registered existence of a significant link between exports and economic growth of the country. The study conducted in Pakistan by Hameed, Iqbal and Devi (2012) also analyzed the link between exports and economic growth. The study was informed by the need to infer whether strong performance of the economy is growth drive or export supported. The methodologies adopted were econometric technique Granger causality where real GDP, terms of trade and exports were utilized in the analysis. The period covered by the study was 1960 all through to 2009. The inquiry documented existence of unidirectional causality from GDP to exports in Pakistan but not the other way.

Kalaitzi and Chamberlain (2020) used a case of United Arabs Emirates (UAE) to bring out the connection between exports and economic growth. The horizon covered by the study was 1975 all through to 2012. Dynamic ordinary least square as well as Johansen cointegration technique were the methodologies adopted in this study. The results were that a long run link exists between the growth of the economy and the exports. Subhan, Alharthi, Alam, Thoudam and Khan (2021) used Vector Autoregressive model to predict the link between exports and the growth of the economy. The period covered by the

study was 1961 all through to 2015. The finding from the study was that exports have a direct and significant implication on the growth of the economy.

The study by Feddersen, Nel and Botha (2017) focused on South Africa linking exports and the growth of the economy. The methodology adopted in this study was Johansen's cointegration with the time horizon covered being 1975 all through to 2014. The information was obtained from auxiliary sources on a quarterly basis. It was observed that exports help in encouraging capital formation and investment in an economy. Another study by Hassan (2020) focused on Middle East and North African (MENA) and South Asian (SA) countries to empirically explore exports and economic growth. The approach embraced in this study was time series covering the horizon 1990 all through to 2018. The study failed to establish significant interplay between exports and the growth of the economy. This was interpreted to imply that exports are the main cause of growth in national output.

Akena (2016) did a study relating exports and economic growth using Kenya as a point of reference. Evaluation of stationarity of the variables was done through Univariate time series. Results were that exports were not stationary. Taking a short and long run horizon, the study documented that a relationship exists between exports and the growth of the economy across the two horizons. Openness was the mediating variable in this study, and it demonstrated existence of short run equilibrium link. Maina (2015) sought to bring the joint implication of exports and imports on economic growth in Kenya. This study embraced a correlational design where the targeted population included the GDP, exports, and imports. The period of interest in this study was 1960 all through to 2010. It emerged that exports have a strong and direct link with economic growth of the country. The recommendation raised by the study included the need for Kenya to apply both export led, and import led growth hypotheses. The need for Kenya to increasingly import capital goods emerged as this was expected to enhance the growth of the country.

2.4.2 Imports and Economic Growth

Uğur (2008) focused on Turkey to link imports with the growth of the economy. The methodology adopted was vector autoregressive model and the proxies of imports covered investment goods and raw material. A significant association was registered between imports and the growth of the economy of a country. Mishra (2012) focused on India to provide empirical link between imports and economic growth. The study was

informed by the fact that international trade was very critical in developing country like India. Further, the study acknowledged the fact that export-led hypothesis was so instrumental in most empirical inquests. The time horizon of focus in this study was 2009 all through to 2020. The inquiry demonstrated existence of two-way link between exports and the growth of the economy of a country.

Ebrahimi (2017) conducted a study whose focus was on linking imports and the growth of the economy in Iran. The methodology adopted in this study was cointegration. The data embraced in the study was GDP in its real terms as well as the overall imports of Iran. The horizon considered by the study was 1961 all through to 2010. The results were that no cointegration relationship was evident between exports and GDP. This is particularly true when GDP in its real form is taken as the dependent while exports are taken as independent. The study conducted in Korea by Kim, Lim, and Park (2007) largely focused on establishing whether exports were any beneficial towards the growth of the economy. The horizon covered by the study ranged from 1980 all through to 2003. Results were that imports significantly shape and growth of the economy; however, exports don't do the same. This was explained on account that imports results into an inflow of consumer goods and the transfer of new technologies. The study therefore suggested that liberalization of imports can significantly enhance the growth of the economy at large.

The causality between imports and economic growth was tested in 41 African countries by Aluko and Adeyeye (2020). It was shown that in 7 African countries, unidirectional causality was evident originating from imports then progressing to the growth of the economy in the short run while same was evident in the long run in a total of 5 nations. Unidirectional causality arising from the growth of the economy was true in 4 countries and 10 countries in short and long run respectively. Aluko and Obalade (2020) focused on some identified countries in Africa to link imports and the growth of the economy. In total, 26 countries were embraced, and the horizon was 1990 all through to 2015. The inquiry failed to provide causality between imports and economic growth in over 50% of the studied nations. Ogbonna (2015) focused on Nigeria to link imports and economic growth. Cointegration and Granger-causality tests were the methodologies embraced in this study. The study noted that imports significantly enhance the growth of the economy of the country.

2.5 Conceptual Framework

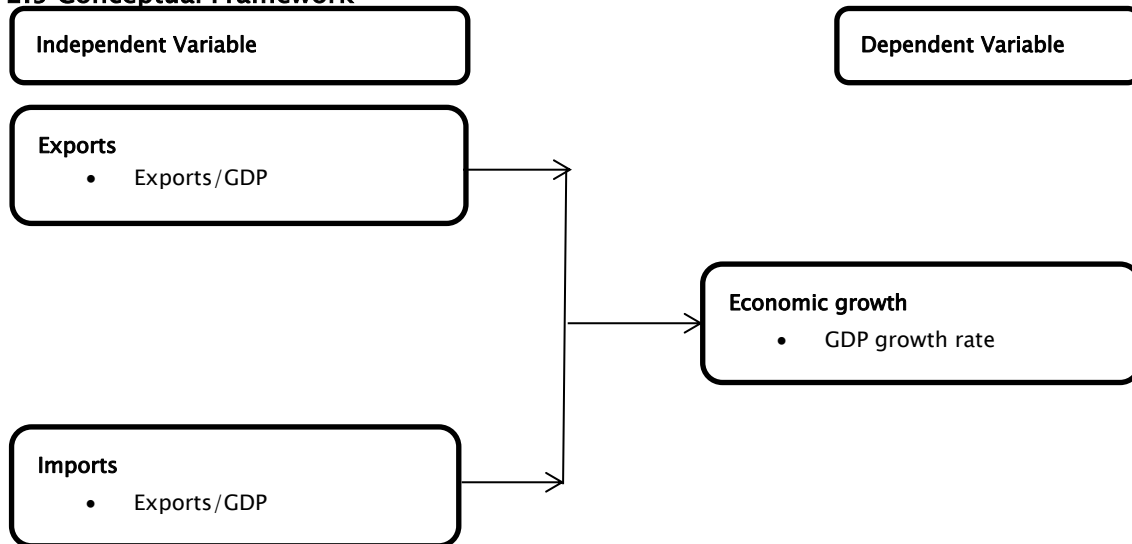


Figure 2.1. Conceptual Framework

3. Methodology

3.1 Research Design

Research design is a blueprint that guides gathering, measurement and analysis of the data. It plans and structures the steps to be undertaken in carrying out a specific inquiry (Dźwigoł, 2019). It is a broad picture that depicts the procedures and methods to be adopted when gathering and processing data to create meaningful insights (Marvasti, 2018). This study adopted correlational design that was supported by quantitative approaches (Privitera & Ahlgrim-Delzell, 2018). This study entailed testing of the formulated objectives to draw relevant inferences as far as foreign trade and economic growth related with each other. Thus, a correlational design supported testing of the hypotheses formulated in this study.

3.2 Population

Population comprises of elements that have similar attributes that the study is interested to uncover (Litosseliti, 2018). The study used a case of Somalia to explore the impact of foreign trade on economic growth. Thus, only a single unit of analysis was involved. The population comprised of five key variables: exports, imports, trade openness, taxation and economic growth. These variables were studied taking a period of 61 years (1960–2020). The period was deemed to be adequate given that this was an impact study that required a significantly longer period of time.

3.3 Data Collection

Data refers to raw facts that can be gathered in its primary or secondary form depending on the desired purpose and the variables of interest (Remler & Van-Ryzin, 2021). In this study, secondary data was collected from the World Bank indicators across the period 1960–2020. Annual data was collected in this study supported by a data collection sheet.

3.4 Data Analysis

The data collected was cleaned and edited in excel before being exported to the Statistical Package for Social Sciences (SPSS) version 24. The values of means and standard deviations were then generated to provide a description of the variables. Trend analysis was explored through graphs to indicate the movement of variables across the period of consideration. Correlation and regression analysis were conducted to draw inferences while testing the hypotheses formulated. Table 1 is a summary of the analysis that was done on the data:

Table 3.1. Summary of Data Analysis

Objectives	Hypotheses	Statistical Test	Model	Interpretation
Objective 1: To determine the impact of exports on economic growth of Somalia	H1: Exports have significant impact on economic growth of Somalia	Simple Linear Regression Analysis	$EG_1 = \beta_0 + \beta_1 Exp + \epsilon_1$ <i>Where:</i> EG_1 = Composite score for economic growth B_{10} = Constant TI = Composite score for Exports ϵ_1 = Error term	R^2 to assess how much change in economic growth is explained by exports
Objective 2: To investigate the impact of imports on economic growth of Somalia	H1: Imports have significant impact on economic growth of Somalia	Simple Linear Regression Analysis	$EG_1 = \beta_0 + \beta_1 Imp + \epsilon_1$ <i>Where:</i> CA_1 = economic growth B_{10} = Constant TI = Composite score for imports ϵ_1 = Error term	R^2 to assess how much change in economic growth is explained by imports

4. Findings and Discussion

4.1 Descriptive Statistics

Descriptive statistics covering means and standard deviations were generated and presented as shown in Table 2.

Table 2. Descriptive Statistics

	n	Minimum	Maximum	Mean	Std. Deviation
Exports	61	.00	.33	.1088	.098
Imports	61	.00	1.09	.3241	.360
Economic growth	61	-.18	.30	.0199	.066

Source: World Bank Indicators (1960–2020)

Table 2 indicate that imports had an average of 0.3241 followed by exports at 0.1088 and economic growth at 0.0199 respectively. This means that despite foreign trade being evident in Somalia, economic growth has remained low as demonstrated by the average values.

Impact of Exports on Economic Growth

This study was set out to determine the impact of exports on economic growth of Somalia. This objective was achieved through correlation and regression analysis. Table 3 is a summary of the correlational results.

Table 3. Correlation Results Relating Exports on Economic Growth

		Economic growth	Exports
Economic growth	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	61	
Exports	Pearson Correlation	.483	1
	Sig. (2-tailed)	.000	
	N	61	61

Source: World Bank Indicators (1960–2020)

Table 3 shows that exports ($r=0.483$, $p<0.05$) had a moderate but positive and significant relationship with economic growth in Somalia. This means that promotion of exports would contribute towards economic performance. Exports were regressed against economic growth to test the formulated hypotheses. These findings are consistent with Mendoza–Cota (2017) who showed that exports have a direct but weak link with economic growth. Ali (2017) established that exports a significant role as far as economic growth of the country is concerned. Dritsakis (2006) established that exports have a causal implication on the process of development of the nation. Sann (2017) established existence of a significant long run implication of exports on GDP of Myanmar. Kalaitzi and Chamberlain (2020) registered existence of a significant link between exports and economic growth of the country. Hameed, Iqbal and Devi (2012) documented existence of unidirectional causality from GDP to exports in Pakistan but not the other way. Kalaitzi and Chamberlain (2020) noted that a long run link exists

between the growth of the economy and the exports. Subhan, Alharthi, Alam, Thoudam and Khan (2021) revealed that exports have a direct and significant implication on the growth of the economy. Feddersen, Nel and Botha (2017) observed that exports help in encouraging capital formation and investment in an economy. Hassan (2020) failed to establish significant interplay between exports and the growth of the economy. Maina (2015) noted that exports have a strong and direct link with economic growth of the country. Table 4 is the presentation of the model summary.

Table 4. Model Summary of Exports and Economic Growth

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.483 ^a	.233	.220	.05836

Source: World Bank Indicators (1960–2020)

Table 4 gives the value of the R square as 0.233; this implies that 23.3% change in economic growth in Somalia is explained by the exports. The significance of the regression model was determined through Analysis of Variance (ANOVA) as outlined in Table 5.

Table 5. ANOVA on Exports and Economic Growth

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.061	1	.061	17.951	.000 ^b
	Residual	.201	59	.003		
	Total	.262	60			

Source: World Bank Indicators (1960–2020)

Table 5 shows the overall regression model used in this study was significant ($F=17.951$, $P<0.05$). The beta coefficients and significance results are as reported in Table 6

Table 6. Coefficients and Significance on Exports and Economic Growth

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.015	.011		-1.375	.174
	Exports	.324	.077	.483	4.237	.000

Source: World Bank Indicators (1960–2020)

The first hypothesis of the study was H1 exports have significant impact on economic growth of Somalia. The findings in Table 6 are as follow ($\beta=.324$, $p<0.05$ & $t>1.96$), this means that exports were significant. Thus, the study accepted hypothesis H1. This implies that exports are key in driving economic growth in Somalia. These findings are

supported by Mendoza–Cota (2017) who showed that exports have a direct but weak link with economic growth. Ali (2017) established that exports a significant role as far as economic growth of the country is concerned. Dritsakis (2006) established that exports have a causal implication on the process of development of the nation. Sann (2017) established existence of a significant long run implication of exports on GDP of Myanmar. Kalaitzi and Chamberlain (2020) registered existence of a significant link between exports and economic growth of the country. Hameed, Iqbal and Devi (2012) documented existence of unidirectional causality from GDP to exports in Pakistan but not the other way. Kalaitzi and Chamberlain (2020) noted that a long run link exists between the growth of the economy and the exports. Subhan, Alharthi, Alam, Thoudam and Khan (2021) revealed that exports have a direct and significant implication on the growth of the economy. Feddersen, Nel and Botha (2017) observed that exports help in encouraging capital formation and investment in an economy.

4.2 Impact of Imports on Economic Growth

This section is set to provide an analysis on the second objective guided by correlation and regression results. Correlation results are as presented in Table 7.

Table 7. Correlation Results of Imports on Economic Growth

		Economic growth	Imports
Economic growth	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	61	
Imports	Pearson Correlation	.378	1
	Sig. (2-tailed)	.003	
	N	61	61

Source: World Bank Indicators (1960–2020)

The findings in Table 7 indicate that imports ($r=.378$, $p<0.05$) have a moderate but positive and significant implication on economic growth in Somalia. The findings are consistent with Mishra (2012) who demonstrated existence of two-way link between exports and the growth of the economy of a country. In a study by Uğur (2008), a significant association was registered between imports and the growth of the economy of a country. Ebrahimi (2017) established that no cointegration relationship was evident between exports and GDP. Kim, Lim and Park (2007) said that imports significantly shape and growth of the economy; however, exports don't do the same. This was explained on account that imports results into an inflow of consumer goods and the transfer of new technologies. Aluko and Obalade (2020) failed to provide causality between imports and economic growth in over 50% of the studied nations. Ogbonna (2015) noted that

imports significantly enhance the growth of the economy of the country. Regression analysis was conducted with the model summary being presented in Table 8.

Table 8. Model Summary on Imports and Economic Growth

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.378 ^a	.143	.128	.06171

Source: World Bank Indicators (1960–2020)

Table 8 give the value of R^2 as .143, this implies that 14.3% change in economic growth of Somalia is explained by imports. The ANOVA findings are as reported in Table 9.

Table 9. ANOVA on Imports and Economic Growth

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.037	1	.037	9.819	.003 ^b
	Residual	.225	59	.004		
Total		.262	60			

Source: World Bank Indicators (1960–2020)

Table 9 shows that on overall, the regression model was significant ($F=9.819$, $p<0.05$). Table 10 is the coefficient and significance.

Table 10. Coefficients and Significance on Imports and Economic Growth

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.003	.011		-.239	.812
	Imports	.069	.022	.378	3.133	.003

Source: World Bank Indicators (1960–2020)

The study hypothesized that H1 imports have significant impact on economic growth of Somalia. Table 10 provides the following results, ($\beta=.069$, $p<0.05$ & $t>1.96$), this indicates significance. Thus, the second hypothesis was accepted by the study. The findings are empirically supported by Mishra (2012) who demonstrated existence of two-way link between exports and the growth of the economy of a country. In a study by Uğur (2008), a significant association was registered between imports and the growth of the economy of a country. Ebrahimi (2017) established that no cointegration relationship was evident between exports and GDP. Kim, Lim and Park (2007) said that imports significantly shape and growth of the economy; however, exports don't do the same. This was explained on account that imports results into an inflow of consumer goods and the transfer of new technologies.

5. Conclusion and Recommendations

5.1 Impact of Exports on Economic Growth

This study was set out to determine the impact of exports on economic growth of Somalia. Correlation results indicated that exports had a moderate but positive and significant relationship with economic growth in Somalia. The first hypothesis of the study was H1 exports have significant impact on economic growth of Somalia. The findings showed that exports were significant. Thus, the study accepted hypothesis H1. This conclusion supports the export–growth led policies.

5.2 Impact of Imports on Economic Growth

The study sought to investigate the impact of imports on economic growth of Somalia. The findings indicate that imports have a moderate but positive and significant implication on economic growth in Somalia. The study hypothesized that H1 imports have significant impact on economic growth of Somalia. Regression results indicated significance. Thus, the second hypothesis was accepted by the study. The conclusion supports the import–growth driven policies.

5.3 Recommendations for Policy and Practice

The study provides the following recommendations:

- i. The government of Somalia should formulate sound policies that support export-oriented production. This can be achieved through setting up of export processing zones and economic zones.
- ii. The government of Somalia should leverage the imports for technological transfer which is critical in the production process to support economic growth
- iii. The government of Somalia should provide conducive environment through policy formulation and enactment to support local production
- iii. Tax incentives and reliefs should be provided to exporting and importing firms to promote foreign trade thus enhancing economic growth of Somalia

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