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Impact of Globalization on Economic Growth of Nigeria

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Abstract: The literature extensively documents the benefits derived from interdependence and integration among nations, along with the opportunities they offer. This research focuses on examining the relationship between globalization and economic growth in Nigeria. Secondary data were extracted from the CBN Statistical Bulletin spanning the years 1981-2021. An ex-post facto research design was employed, and regression analysis was utilized to establish the relationship between the dependent and independent variables. The results indicate, among other findings, that globalization significantly impacts economic growth in Nigeria. The research recommends, among other measures, the following: i. The Nigerian government should reassess the degree of trade openness, ensuring it is set at a level that guarantees a sufficient and sustained inflow of capital into the country. ii. The government agency responsible for export promotion should be strengthened with experienced technocrats to effectively explore new avenues for promoting goods made in Nigeria.

Keywords: Globalization, Economic Growth, Trade Liberalization, Foreign Direct Investment (FDI), Trade Openness

Introduction

Globalization, encompassing the interdependence among countries driven by economic integration, especially in trade, has become an undeniable aspect for businesses, given the opportunities presented by foreign markets (Surugiua & Surugiu, 2015). Over the past three decades, international trade flows have witnessed substantial expansion, outpacing global output growth. The value of world merchandise exports surged to US$34.98 trillion in 2020, a significant increase from approximately US$5.17 trillion in 1995, and commercial services exports reached US$11.71 trillion. This development elevated total world trade to over US$14 trillion (UNCTAD, 2020). Policymakers worldwide now grapple with the challenge of maximizing the developmental advantages of globalization and trade while minimizing associated economic, social, human, and environmental costs. Achieving these objectives is crucial for aligning trade-driven globalization with internationally agreed-upon development goals, including the MDGs. It is imperative to manage both the reality and perceptions surrounding the costs and benefits of trade-driven globalization to optimize development benefits with equity and inclusiveness while mitigating costs. This necessitates judicious calibration of tensions between national policy space and international obligations, the balance between national and global governance, coherence among different policy areas and levels, and the distinct yet complementary roles of the state, the market, and the corporate sector in the development process. Despite the seemingly irreversible and spontaneous nature of globalization, there is an increasing acknowledgment that it can be managed to yield better development outcomes (UNCTAD, 2020).

The Global DHL Connectedness Index (GDCI) 2020 reveals that Nigeria trails behind 10 other African countries, with Ghana, Cote d'Ivoire, and Togo leading from West Africa (Olaiya, 2020). Trade liberalization, a significant economic reform policy and institutional change implemented by Nigeria in 1986 to stimulate exports, is a key aspect of globalization (Odebode &

Aras, 2019). The International Monetary Fund (IMF) identifies four main aspects of globalization: trade and transactions, capital and investment movements, migration and movement of people, and knowledge dissemination (IMF, 2008). Verma and Srivastava (2022) further classify globalization into financial, trade, cultural, interpersonal, informational, and political dimensions. Studies by Verma and Srivastava (2022) and Wanger and Aras (2022) reveal bidirectional and unidirectional causalities between globalization dimensions and GDP. Economic globalization, signifying the integration of global factor and product markets through technology, entails trade openness (Gyglia, Haelg, & Sturm, 2018). This study takes a comprehensive approach to analyze the impact of globalization on economic growth in Nigeria.

Statement of the Problem

Given the increased openness of the Nigerian economy due to globalization, the private sector can enhance capacity building and expansion with fewer regulations. Proponents of globalization contend that policy reforms have significantly improved economic growth and performance. However, critics argue that the removal of restrictions on various fronts has adversely affected future growth and performance. They assert that liberalization has exacerbated inequalities within and across countries, led to environmental degradation, increased the vulnerability of poorer nations, and facilitated the dominance of developed countries over developing ones, culminating in neo-colonization. Therefore, it is crucial to ascertain whether globalization has had a positive or negative impact on Nigeria's economic growth.

Objectives of the Study

The broad objective of this study is to examine the impact of globalization on economic growth of Nigeria. The specific objectives are:

1. To assess the impact of trade openness on Nigeria's GDP.
2. To evaluate the impact of export on Nigeria's GDP.
3. To determine the relationship between Foreign Direct Investment (FDI) and Nigeria's GDP.
4. To find out the impact of import on Nigeria's GDP.
5. To examine the relationship that exists between exchange rate and Nigeria's GDP.

Research Hypotheses

The research hypothesizes as follows:

1. H_o: Trade openness has no significant impact on Nigeria's GDP
2. H_o: Export has no significant impact on Nigeria's GDP
3. H_o: Foreign Direct Investment (FDI) has no significant impact on Nigeria's GDP
4. H_o: Import has no significant impact on Nigeria's GDP
5. H_o: Exchange rate has no significant impact on Nigeria's GDP

2. REVIEW OF RELATED LITERATURE

Conceptual Framework

Globalization

Globalization can be seen as one of the most important forces impacting on the economy. According to Brittan (1998:2) globalization is viewed "as a whirlwind of relentless and disruptive change which leaves governments helpless and leaves a trail of economic, social cultural and environmental problems in its wake." In most of the definition of globalization that is found in the literature the process of globalization is seen as the breakdown of borders between countries, governments, the economy and communities. In the financial markets it is also the blurring of borders between different markets. Two major indicators of globalization include international product movement and international factor mobility. The former refers to free trade in both imports and exports while the latter includes cross-border movement of productive inputs of labour, capital, technology and even entrepreneurship. An import is a good or service produced in another country but bought locally while export is a good or service produced domestically but sold to another country. Economists and policy analysts disagree on the positives and

negatives of imports. Exports are essential to economies as they expand both factor and product markets to people, firms and even the government for their goods and services. China, the US, Germany, the Netherlands and Japan were reported as the highest exporting countries in 2019 (Statista, 2020).

Globalization and Economic Growth in Nigeria

Economies of the world has become so intertwined that it has become apparently difficult, if not impossible, for any economy to function in isolation (Kalu, Nwude & Nwonye, 2016). Trade liberalization according to the protagonists is economic integration for global output expansion, in that, with market liberalization, investment funds can move unimpeded from industrialized countries to developing countries where they are most needed (Anowor, Ukweni and Martins, 2013). Consumers can also benefit from cheaper products because reduced tariffs make goods produced from hi-tech industrialized countries cheaper to buy. In the same vein, producers of goods gain by selling to a wider market, while countries will benefit by gaining access to modern technology, negotiate for multilateral and/or bilateral trade (Ayodamola, 1997).

Globalization, Foreign Direct Investment and Economic Growth

In concrete terms, globalization is the intensification of cross-border trade and increased financial and Foreign Direct Investment flows among nations, promoted by rapid advances in and liberalization of communication and information technology. Considering the impact of globalization on the economies of developing countries, a positive relationship was established. It was recommended that developing countries should exercise caution and carefully monitor the inflow of Foreign Direct Investment as the dark side cannot be ignored (Adegboye, Osabohien, Olokoyo, & Matthew, 2020). The positive effect of capital inflows on growth is conditional upon the institutional quality in the receiving country (Arya, Banerjee, & Tony, 2019). FDI is a valuable source of finance and capital formation, technology-transfer and know-how, as well as a viable medium for trade among countries (Oyegoke & Aras, 2021). Although FDI could create jobs in the local market, it is capable of also dominating local entrepreneurship in developing countries without relevant institutions to supervise the developments in the various sectors of their economies. Globalisation could create dumping, discourage the development of local skills, transfer risk to developing countries with low-risk management apparatuses (Vergos & Wanger, 2019).

Globalization, Trade Openness and Economic Growth

Economies of the world have become so intertwined that it has become apparently difficult, if not impossible, for any economy to function in isolation (Kalu, Nwude & Nwonye, 2016). Trade liberalization according to the protagonists is economic integration for global output expansion, in that, with market liberalization, investment funds can move unimpeded from industrialized countries to developing countries where they are most needed. Consumers can also benefit from cheaper products because reduced tariffs make goods produced from hi-tech industrialized countries cheaper to buy. In the same vein, producers of goods gain by selling to a wider market, while countries will benefit by gaining access to modern technology, negotiate for multilateral and/or bilateral trade. Trade policy since the 1960's has witnessed extreme policy swings from high protectionism in the first few decades after independence to its current more liberal stance. Attempts were made to use trade policy to promote manufactured exports and enhance the linkages in the domestic economy to increase and stabilize export revenue and scale down the country's reliance on the oil sector. Trade Openness according to Afaha and Njogo cited in Imandojemu, Akinlosotu and Aina (2021), is one of the policy measures of the Structural Adjustment Programme (SAP) adopted by Nigeria in 1986. This means the dismantling of trade and exchange control domestically. Trade liberalization has been found to perform the role of engine of growth, especially via high real productivity export. During the first decade of independence, Nigeria pursued an import substitution industrialization strategy. This involved the use of trade policy to provide effective

protection to local manufacturing industries, through quantitative restrictions and high import duties. Export diversification is important because to Shuaib, Ekeria and Ogedengbe, (2015) it will play an important role in reducing the variability of the export earnings of developing countries and raising the growth rates of both exports and domestic output. However, he warned that the composition of a diversifying country's exports has to match the import structure of the target countries. According to the World Trade Organisation (2020), diversification of countries export base increases local production, employment, income and economic growth. Developing countries that export large amounts of a small number of products have export revenues that are quite volatile. Many OPEC members derive more than 80 percent of their export revenues from oil and gas. As a result, the decline in oil prices from the early 1980s to 2000 reduced export receipts. After the four Asian Tigers (South Korea, Singapore, Taiwan and Hong Kong) achieved economic progress through export promotion, Effiong and Udofia (2022) discovered that the core of the export-led strategy is the diversification of export products and export markets to minimize risks and ensure a more stable and sustainable current account position.

Theoretical Framework

Academic debate on globalization has been informed by two strands of research with opposing perspectives. The first group of scholars Neoclassical theorists, David Ricardo and John Stuart Mill argue in favor of globalization because it enhances output and employment opportunities. Brittan (1998) indicated that globalization led to an increase in the wealth of developed countries and not to bigger poverty in the developing countries. As an example of the improvement in the developing countries Brittan referred to the improvement in the economic situation in the Asian countries. The improvement in economic growth in the Asian countries led to a reduction in the skewed distribution of income between developed and developing countries. Despite these rather positive developments in some developing countries many countries are still in poverty and risks marginalization if they do not very soon become part of the international trade system. Similarly, higher growth and development can also be achieved by trade openness. The group argued that free trade amongst nations of the world would equally benefit the less developed economies by expanding their activities via trade that would not have been possible from their domestic economies alone. It is also seen as a means of helping them through specialization and transfer of technology; and as result increases their citizens' welfare through enhancement of their aggregate national income (Adjasi, 2006). To Grabowski and Shields, (1996) openness to trade is very crucial to any economy because of differences in technology; proportion of potentially mobile resources (capital and labour) and availability of specific, non-mobile factors (land and other natural resources). In this wise, the gains to trade are in two forms: production and consumption gains.

The classical theory economists argue that trade between nations is a mechanism by which the wealthy nations exploit the poor ones through extraction of economic surpluses. Others are of the opinion that although trade between countries may not necessarily impact a country negatively, its impact is too weak to provide the essential stimuli that would generate growth. These groups of scholars prescribe that nations should look inward for solutions to their development problems. Their argument is that trade between nations can be likened to a game where the gains that accrue to one nation (usually the developed countries) are as a result of the deficiency of their trading partners usually the less developed countries. This scenario to them is peculiar to the Latin American and African economies where the centre (Developed economies) exploits their surpluses from the periphery (less developed economies). Hence, to them, for the less developed countries to benefit from trading they need to be taken in to consideration as part of the global process instead of keeping to their fate by merely providing the inputs via exports.

Following this perspective, degree of a nation's openness to trade is believed to rub off on the nation via economies

of scale, externalities associated with information and knowledge transmission as well as spillover effects that trickle to productive knacks of such an economy. The phenomenon of globalization has impact on growth, income and employment in most developing countries especially in Nigeria. It was expected that globalization would cause a great increase in production and indirectly lead to development. This means that globalization would lead to an increase in production followed by social welfare.

Empirical Review

Dollar and Kraay (2001) provided evidence that suggested that one third of developing countries of the world described as rapid globalizers did extremely well in terms of income growth and poverty reduction over the past two decades. These countries include Bangladesh, India and Sri Lanka in south Asia who have experienced large increases in trade and significant reduction in both tariff and non-tariff barriers. In contrast the remaining two third of the developing world with large concentration in Africa did not experience trade expansion due to a lack of sufficient outward orientation performed poorly both in terms of growth and poverty reduction.

Gilbert (2004) investigated trade openness policy, quality of institutions and economic growth in 102 countries employing panel data in endogenous growth model. His results show that trade policy is associated to the natural openness constitute significant parameter to gain high economic growth rate. In other words, the global openness depending on the natural endowments and economic policies are good to reach high growth rate. He found that in sub-Saharan Africa, in any country where openness has no significant impact on economic growth is as a result of low institutional quality (that is corruption). Thus, openness and good governance are required for improved economic growth.

Olufemi (2004) specifically investigated the causality between the openness variable and economic growth, using data from the Nigerian economy. This study performed causality tests with various forms of openness measures and economic growth. The results indicated a uni-directional relationship between openness and growth. This shows that an increasing level of openness will be beneficial, depending on the level of economic development in Nigeria.

Osabuohien (2007) examined the impact of trade openness on economic performance of ECOWAS Members focusing on Ghana and Nigeria (1975-2004). A unique long-run relationship between economic performance, trade openness, real government expenditure, labour force and real capital stock for both Ghana and Nigeria was established. In addition, trade openness and real government expenditure impact positively the economies of Ghana and Nigeria. However, the effects were higher in the former than the latter. The study suggested that for the countries to partake satisfactorily in the gains that are in trade openness and have desirable level of economic performance there is need to ensure that policies are initiated and implemented with needed speed.

Afaha and Njogo (2012) focused on the workings of globalization on the Nigerian economy. In carrying out this objectives, linear multiple regression analysis was used in assessing various components of trade openness with data extracted from CBN statistical bulletin. From the study findings, export, import, and the degree of openness are all positively related to output (proxy by GDP). The research findings show that economies grow faster when they are open to international competition.

Eleanya (2013) empirically tested whether openness leads to economic growth in Nigeria. The ordinary Least Squares (OLS) technique and data from 1970 – 2008 from CBN statistical bulletin. The co-integration test showed that there exists long run equilibrium between economic growth, trade openness, investment, and government expenditure in Nigeria. The study revealed that openness impact significantly on economic growth in Nigeria. The study therefore recommends that Nigeria should pursue customs and port modernization agenda in order to reduce trade transaction costs.

The study of Akim (2014) focused on Nigeria's participation in the ECOWAS Trade Liberalization Scheme and the potential gains that may accrue the

country opening up to trade in the West African sub-region. Employing a deductive approach, the study posit that Nigeria stands a chance of benefiting through such gains as improved wages and employment, increased productivity in the manufacturing industry and enhanced technological progress and economic growth. With Nigeria remaining committed to the implementation of the Common External Tariff, she heads toward jointly taking advantage of the opportunities of trade liberalization.

Shuaib, Okutimiren, Odunlami and Ajagbe (2016) critically analyzed the effect of financial openness on economic growth in Nigeria. The Ordinary Least Square (OLS) method was used to estimate the model. The results revealed that Trade Openness (TOPEN) and Inflation Rate (INF) is significant factors jointly influencing the growth rate of Nigeria economy.

Idoko and Abu (2020) investigated the link connecting globalization and economic development in Nigeria. This study used both co- integration and OLS techniques for data analyses. The result showed that foreign direct investment (FDI) is an important component of globalization and also a crucial factor that impacts the economic development of Nigeria. Trade openness and financial openness showed an inverse relationship with Nigeria's economic development. Even though the result of the co-integration revealed a long-run relationship between globalization and economic development, the overall findings of the study indicates that the Nigerian economy is yet to benefit from the globalization process.

Popoola, (2020) assessed globalization and Nigeria's economic development. The research methodology employed the exploratory methodology which is targeted at satisfying researcher's desire about specific social phenomenon. Also, secondary sources of data and data collection were used. The research concludes that there is an interconnectedness between globalization and economic development in Nigeria, which in turn increases the rate of unemployment and hinders democratic development in Nigeria.

Nwofia and Aworinde (2020) investigated the impact of globalization on economic growth in Nigeria. The study was based on ex post facto using data from KOF globalization index of Swiss economic institute and World development Indicator of World Bank from 1970-2017 for Nigeria. Utilizing asymmetric co-integration, it found that found that economic globalization tends to have had long-run asymmetric cointegrating effect on Nigeria's economic growth in Nigeria.

Odo, Agbo and Agbaji (2020) essentially interrogates the question as to whether globalization has promoted economic growth in Nigeria in line with the ambitious expectations of the promoters of the concept especially, the World Bank and the International Monetary Fund. It was found that whereas globalization may have improved the economies of advanced democracies, the domestic economy received marginal benefits but in the main was undermined owing to a host of factors including, weak technical base, unhealthy macro-economic environment and poorly diversified economic base. This has rendered her a net loser in the competitive struggle engendered by globalization.

Wanger and Aras (2020) examined the relationship between globalization and economic growth in West Africa. In this study Panel Cointegration Techniques including Fully Modified Ordinary Least Squares, Dynamic Ordinary Least Squares and Dumitrescu-Hurlin Panel Causality Test were applied which showed a positive and significant long run causal relationship between Exports, Imports as aspects of globalization and Gross Domestic Product, there was an observed negative long run relationship between Foreign Direct Investment and Gross Domestic Product. Export promotion, high import tariffs, the local content initiative, liberal migration policies and strong regulatory machinery were recommended.

Ajayi and Musyimi (2022) examined the impact of globalization on Nigerian financial development with particular reference to foreign direct investment, trade openness, exchange rate, government expenditure, interest rate and inflation. The study employed the autoregressive distributed lag (ARDL) model. Major findings from the study showed that foreign direct investment, trade openness and government expenditure

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have a positive and significant impact on financial development in Nigeria while exchange rate, interest rate and inflation rate have a negative significant impact on Nigerian financial development.

Effiong and Udofia (2022) attempted to validate Kaldor's law that stipulates that "manufacturing is the engine for growth for the period 1982 to 2020. Findings from the Dynamic Ordinary Least Squares (DOLS) revealed that growth in the manufacturing sector exerts a positive and substantial influence on the growth of the nonmanufacturing sector. Meanwhile, economic globalization was noted to exert a positive but inconsequential effect on nonmanufacturing sector pointing out that within the study period, globalization does not really matter for the validity of Kaldor's law in Nigeria.

Uzoma and Odungweru (2022) examined the impact of globalization on real sector output in Nigeria for a 39 year time period spanning from 1981 to 2019. The Ordinary Least Squares and Error Correction Modeling were used as the main analytical tools. From the estimates, a positive and statistically significant relationship exists between real sector output and foreign direct investment. Trade openness also was significant in impacting real sector output positively while a negative and significant linkage was observed between exchange rate and real sector output in Nigeria. The study therefore concluded that openness to trade broadens real output growth.

From the foregoing, one can conclude that there is no general consensus on the positive impact of globalization on Nigeria's economy growth hence a gap the present study will seek to fill.

3.METHODOLOGY

The research design adopted in this study is the ex-post facto. This was used because the data used were already documented as reports or statistical data. Moreover, the variables used cannot be manipulated or controlled as they have already happened. This study employed secondary data obtained from Central Bank of Nigeria (CBN) Statistical Bulletin from 1981-2021.

To specify the model, we first identify the variables and the relationship between the variables.

Gross Domestic Product = F (trade openness, import, export, FDI)…… eqn (1)

However, trade openness = $\frac{\text{Export + Import}}{\text{GDP}}$

The constructed model will be given as

$$GDP=b_0+b_1TOP+b_2EXPT+b_3IMPT+b_4EXR+b_5FDI\ \mu$$

Where:

b_1, b_2, b_3, b_4, and are parameter estimates for TOP, EXPT, IMPT, EXR, and FDI

μ = Error terms

b_0 = intercept of GDP_t model

GDP = Gross Domestic Product (GDP)

TOP= Trade liberalization/openness (TOP)

EXP = Export

FDI= Foreign Direct Investment

EXR= Exchange rate

The role of globalization proxied by trade openness, export, foreign direct investment, and balance on trade on GDP is examined in the model. The growth rate of each of the variables under examination will occur if the coefficient of the time variable (t) which is β_1 is positively significant. The negative but significant value

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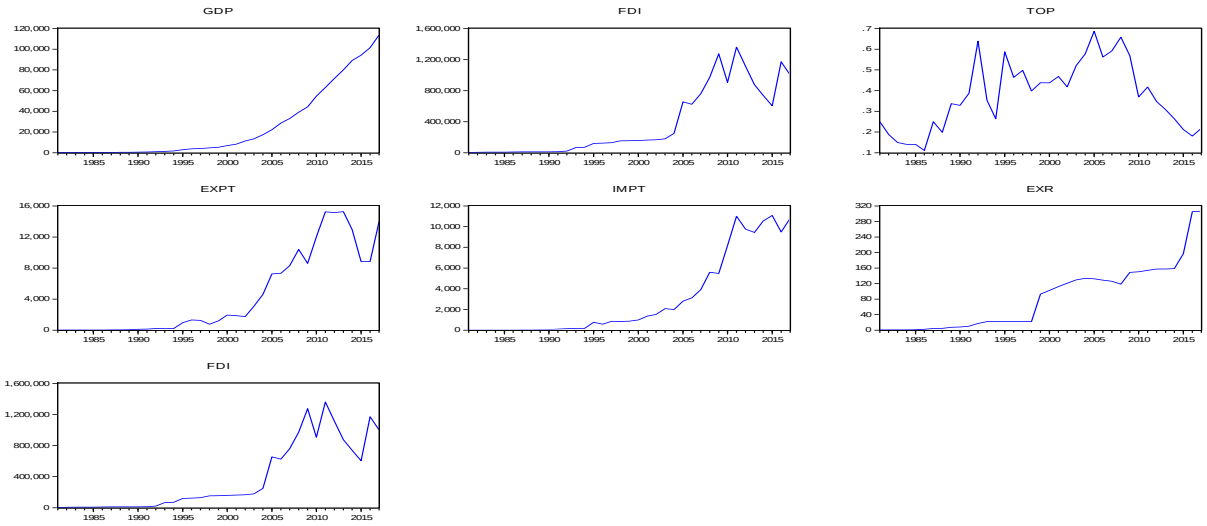
of the coefficient of the squared time variable (β_1) will imply deceleration in growth rate of the variables while stagnation in growth rate of the variables will occur if the coefficient of the time variable (t) is no significant.

This study adopts the descriptive statistics, correlation matrix, unit root test, cointegration, multiple ordinary least square, and granger causality to estimate the models. The Classical Linear Regression Model (CLRM) which represents the foundational model for most higher and rigorous econometric analyses form the most fundamental technique of data analyses for this work. Regression analyses is basically concerned with the study of the dependence of one variable (dependent variable) on one or more other explanatory or independent variables (regressors) with the view to finding out or estimating/predicting the mean or average value of the former in terms of known or repeated values of the latter (Gujarati and Porter, 2009). F-test and T-statistic are used to test the significance of the overall regression and the significance of the parameter estimates respectively.

Co-integration test is used to examine if the residuals of regression between two non – stationary series are stationary. For the test, we regress **Yt** on **Xt** (or vice Versa), and use the residual to see if it is stationary (unit root test described above). If it is stationery, two series Xt and Yt are co-integrated. The Eigen and Trace Statistic- two-step- method will be adopted to examine whether a co-integrating relation exists between selected globalization indicators (TOP, EXPT, IMPT, EXR, and FDI) and Economic Growth (GDP).

The granger causality test was also applied to test the direction of causality, that is, whether any of the independent variables (TOP, EXPT, IMPT, EXR, and FDI) causes GDP to move or GDP tends to cause their movement. The granger causality test is used to determine the short run relationship between the dependent and independent variables. The test provides two outcomes namely unidirectional and bidirectional causality between variables.

4. ANALYSIS AND RESULT



The graph in figure 1 shows the growth trend of the variables for the period under review. TOP is volatile and fluctuated over the period under review. EXPT and IMPT showed a similar growth trend. However, GDP and EXR showed upward trend which suggests that exchange rate is on the rise despite the increasing output of the economy. The degree of trade openness has shown inconsistency since 1986 trade liberalization while import and export have witnessed upward trend within this same period. FDI

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witnessed an upward trend within this same period until 2010 which may be attributed to global financial crises.

Table 2: Descriptive Statistics

	GDP	TOP	EXPT	IMPT	EXR	FDI
Mean	24861.44	0.376324	4429.276	3072.365	84.29876	375489.3
Median	5307.360	0.369000	1309.500	862.5000	92.69340	154188.6
Maximum	113711.6	0.687000	15262.00	11076.10	306.3138	1360308.
Minimum	144.8300	0.111000	7.500000	6.000000	0.610000	3757.900
Std. Dev.	34308.70	0.164054	5367.481	3992.370	84.00823	440278.6
Skewness	1.290054	0.164616	0.883832	1.064298	0.867787	0.895078
Kurtosis	3.299436	1.943072	2.270978	2.489995	3.283476	2.293455
Jarque-Bera	10.40105	1.889298	5.636506	7.386170	4.767723	5.710125
Probability	0.005514	0.388816	0.059710	0.024895	0.092194	0.057552
Sum	919873.5	13.92400	163883.2	113677.5	3119.054	13893103
Sum Sq. Dev.	4.24E+10	0.968888	1.04E+09	5.74E+08	254065.7	6.98E+12
Observations	40	40	40	40	40	40

Source: ***Author's computation***

In the descriptive statistics testing the stability and normality of the series, TOP has a mean value of 0.376324 and a standard deviation of 0.164054, GDP has a mean value of ₦24861.44 and a standard deviation of ₦34308.70, EXPT has a mean value of ₦ 4429.276 and a standard deviation of ₦5367.481, IMPT has a mean value of ₦3072.365 and a standard deviation value of ₦3992.370 while EXR has a mean value of ₦84.29876 and a standard deviation value of ₦84.00823. Moreover, FDI has a mean value of ₦375489.3 and a standard deviation of ₦ 440278.6, TOP has a mean value of 11.17568 and a standard deviation of 5.858062. This shows that trade openness has average of 0.376324 which is relatively poor since it is below 0.5 thus, suggesting that the economy imports more than it exports. In general, it can be stated that globalization have had an average performance in Nigeria. The Jarque-Bera statistic to test the normality of the variables shows that GDP has prob. value of 0.005514; IMPT has prob. value of 0.024895 which are significant but not normally distributed.

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Table 3: Correlation Matrix

	GDP	TOP	EXPT	IMPT	EXR	FDI
GDP	1.000000	-0.105454	0.897444	0.972796	0.893261	0.847589
TOP	-0.105454	1.000000	0.140447	-0.037175	0.133012	0.208301
EXPT	0.897444	0.140447	1.000000	0.947915	0.813717	0.935406
IMPT	0.972796	-0.037175	0.947915	1.000000	0.851713	0.891118
EXR	0.893261	0.133012	0.813717	0.851713	1.000000	0.822040
FDI	0.847589	0.208301	0.935406	0.891118	0.822040	1.000000

Source: ***Author's computation***

From table 3, both Gross Domestic Product (GDP) and Trade openness (TOP) are negatively related while Trade openness (TOP) is positively related to Export (EXPT). Trade openness (TOP) is negatively related to Import (IMPT). FDI is positively related to Trade openness (TOP). Again, TOP is positively related to exchange rate (EXR). In general terms, the low number of negative signs as shown in the table points out that there is more positive influence of globalization.

Table 4 Summary of Phillips-Perron Unit Root Test Result

Variables	**PP Unit Root Statistics**	**Order of integration**
GDP	0.979430	1 (1)
TOP	-8.234590	1 (1)
FDI	-8.028930	1 (1)
EXPT	-3.045540	1 (1)
IMPT	-5.599867	1 (1)
EXR	-4.926411	1 (1)
Critical values: 1%=-3.632900, 5%=-2.948404, 10%=-2.612874		

Source: ***Author's computation***

Table 4 presents the summary results of the PP Unit root tests carried out on all the variables of our model. From the table, it is evident that all the variables are integrated of order 1 except GDP meaning that they become stationary after the first difference.

The Johansen co-integration tests were used to test whether there is long run relationship between the dependent variable and independent variables.

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Table 5 Johansen Co-integration Test

Date: 09/13/23 Time: 23:31				
Sample (adjusted): 1984 2021				
Included observations: 38 after adjustments				
Trend assumption: Linear deterministic trend				
Series: GDP FDI TOP EXPT IMPT EXR				
Lags interval (in first differences): 1 to 2				
Unrestricted Cointegration Rank Test (Trace)				
Hypothesized		Trace	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.934709	256.9202	95.75366	0.0000
At most 1 *	0.900119	164.1378	69.81889	0.0000
At most 2 *	0.789886	85.80936	47.85613	0.0000
At most 3 *	0.462085	32.76587	29.79707	0.0221
At most 4	0.270104	11.68400	15.49471	0.1727
At most 5	0.028383	0.978980	3.841466	0.3224
Trace test indicates 4 cointegrating eqn(s) at the 0.05 level				
* denotes rejection of the hypothesis at the 0.05 level				
**MacKinnon-Haug-Michelis (1999) p-values				
Unrestricted Cointegration Rank Test (Maximum Eigenvalue)				
Hypothesized		Max-Eigen	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.934709	92.78242	40.07757	0.0000
At most 1 *	0.900119	78.32845	33.87687	0.0000
At most 2 *	0.789886	53.04349	27.58434	0.0000
At most 3	0.462085	21.08187	21.13162	0.0508
At most 4	0.270104	10.70502	14.26460	0.1696
At most 5	0.028383	0.978980	3.841466	0.3224
Max-eigenvalue test indicates 3 cointegrating eqn(s) at the 0.05 level				
* denotes rejection of the hypothesis at the 0.05 level				
**MacKinnon-Haug-Michelis (1999) p-values				

Source: ***Author's computation***

The result of the co-integration shows there are 4 co-integrating equations among the variables which indicate that there is long-run relationship among the variables as shown in Trace estimate. The result for Max-Eigen also showed that there are 3 cointegrating equations hence the conclusion that there is long run significant relationship between globalization and GDP.

Table 6: ECM Model

Dependent Variable: GDP

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Method: Least Squares
Date: 09/13/23 Time: 23:36
Sample: 1981 2017
Included observations: 37

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3915.979	2849.718	1.374164	0.1792
ECM (-1)	-0.617301	0.098421	-4.342049	0.0001
TOP	-20962.82	7721.982	-2.714694	0.0107
EXPT	-0.273099	0.798421	-0.342049	0.7346
IMPT	6.813470	1.073249	6.348449	0.0000
EXR	126.0762	24.18387	5.213233	0.0000
FDI	0.004042	0.006681	0.604934	0.5496

R-squared	0.975312	Mean dependent var	24861.44
Adjusted R-squared	0.971330	S.D. dependent var	34308.70
S.E. of regression	5809.233	Akaike info criterion	20.31968
Sum squared resid	1.05E+09	Schwarz criterion	20.58091
Log likelihood	-369.9140	Hannan-Quinn criter.	20.41177
F-statistic	244.9329	Durbin-Watson stat	1.784841
Prob(F-statistic)	0.000000		

Source: ***Author's computation***

The model estimate is given as GDP = 3915.97948272 - 20962.8214719*TOP - 0.273099401066*EXPT + 6.81346956494*IMPT + 126.076152533*EXR + 0.00404168878675*FDI

The OLS analysis shows that TOP has negative relationship (-20962.82) with GDP which is contrary to apriori expectation. The t-Statistics for TOP has a value of -2.714694 with a prob. value of 0.0107 which is insignificant at 5% confidence level. We therefore accept that trade openness has significant impact on economic growth in Nigeria.

Export Trade (EXPT) has negative relationship (-0.273099) with GDP which is contrary to expectation. The t-Statistics for EXPT has a value of -0.342049 with a prob value of 0.7346 which is significant at 5% confidence level. We therefore accept the null hypothesis that Export Trade has no significant impact on economic growth in Nigeria.

Import has positive relationship with GDP (6.813470) which conforms to expectation. That is, the higher the import value, the higher the GDP. The t-Statistics for IMPT has a value of 6.348449 with a prob value of 0.000 which is insignificant at 5% confidence level. We therefore accept that import has significant impact on economic growth in Nigeria.

Exchange rate has positive relationship (126.0762) with GDP. The t-Statistics for EXR has a value of 5.213233 with a prob value of 0.000 which is insignificant at 5% confidence level. We therefore accept that exchange rate has significant impact on economic growth in Nigeria.

Foreign Direct Investment (FDI) has positive relationship (0.004042) with GDP which is contrary to expectation. The t-Statistics for FDI has a value of 0.604934 with a prob value of 0.5496 which is significant at 5% confidence level. We therefore accept the null hypothesis that Foreign Direct Investment (FDI)

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has no significant impact on economic growth in Nigeria.

The coefficient of determination R^2 is 97.53%, indicating that the variables are perfectly fitted, that is 97.53 percent of the model falls on the regression line. The adjusted coefficient of determination is 97.13% implying that 97.13 percent of the total variation found in GDP is explained by trade openness, FDI, export, import and exchange rate while the remaining 2.87% is the presence of the unexplained variable. The F-Statistics is 244.9329 with a prob value of 0.0000 which implies that the regression model is significant and all the variables jointly impact on GDP, hence the conclusion that trade and financial liberalization has significant impact on inequality in Nigeria. The ECM at -0.6173001 indicates the normal negative sign which shows the discrepancy or disequilibrium between the short run and long run is corrected at an adjustment speed of 0.6173% or 61.73%. This means that the dependent variable can wander away from its long run (equilibrium) path in the short run, but will be pulled back to itself by the ECM of coefficient of 0.617 over the longer term. However, the Durbin Watson is 1.791398 which shows a positive but no autocorrelation exist in the model.

Table 7 Summary of Breusch-Godfrey serial correlation, LM Tests

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	6.342030	Prob. F(5,26)	0.0006
Obs*R-squared	20.33049	Prob. Chi-Square(5)	0.0011

Test Equation:
Dependent Variable: RESID
Method: Least Squares
Date: 09/13/23 Time: 23:39
Sample: 1981 2021
Included observations: 37
Presample missing value lagged residuals set to zero.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-105.9908	2220.184	-0.047740	0.9623
TOP	1931.197	6674.515	0.289339	0.7746
EXPT	-0.441995	0.937722	-0.471349	0.6413
IMPT	0.568777	1.134010	0.501562	0.6202
EXR	-18.73886	23.72377	-0.789877	0.4367
FDI	0.002515	0.007548	0.333232	0.7416
RESID(-1)	0.896580	0.211031	4.248576	0.0002
RESID(-2)	-0.754395	0.317495	-2.376088	0.0251
RESID(-3)	0.222346	0.310223	0.716729	0.4799
RESID(-4)	0.065463	0.347390	0.188443	0.8520
RESID(-5)	-0.389669	0.320502	-1.215808	0.2350

R-squared	0.549473	Mean dependent var	6.39E-12

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Adjusted R-squared	0.376193	S.D. dependent var	5390.740
S.E. of regression	4257.685	Akaike info criterion	19.79261
Sum squared resid	4.71E+08	Schwarz criterion	20.27153
Log likelihood	-355.1633	Hannan-Quinn criter.	19.96145
F-statistic	3.171015	Durbin-Watson stat	2.143406
Prob(F-statistic)	0.008727		

Table 7 a summary of six applications of lagged residuals, AR (1) to AR (6), show the F-statistic with a value of 3.171015 and a prob value of 0.008727 which implies that the regression is significant. The result also shows that DW value improved from 0.784841 (see table 4.4) to 2.143406 (see table 4.5), a figure that is above 2, a no (first-order) serial autocorrelation. Therefore, the result is accepted that trade and financial liberalization has significant impact on inequality in Nigeria.

Table 8. Pairwise Granger Causality Tests

Null Hypothesis:	Obs	F-Statistic	Prob.
FDI does not Granger Cause GDP	39	14.1675	5.E-05
GDP does not Granger Cause FDI		1.54049	0.2308
TOP does not Granger Cause GDP	39	2.81491	0.0758
GDP does not Granger Cause TOP		1.32449	0.2810
EXPT does not Granger Cause GDP	39	1.63260	0.2123
GDP does not Granger Cause EXPT		5.48796	0.0093
IMPT does not Granger Cause GDP	39	0.67192	0.5182
GDP does not Granger Cause IMPT		15.0878	3.E-05
EXR does not Granger Cause GDP	39	9.46725	0.0006
GDP does not Granger Cause EXR		7.62925	0.0021

The result indicates that there is causality relationship between FDI and GDP however, FDI tends to influence the direction of GDP suggesting the importance of foreign direct investment in Nigeria. Export trading has causality relationship with GDP with the result showing GDP is responsible for the increment in export value. There is also causality relationship between import and GDP indicating that GDP influences import. Exchange rate also has causality relationship with GDP with the result suggesting that they both influence each other. There is however no causality relationship between trade openness and GDP.

5.Discussion

An interesting outcome of the analysis is that globalization impacts significantly on economic growth; therefore, it is consistent with the orthodox perspective. Trade liberalization also tends to favour balance of trade in Nigeria even though it didn't impact on export an indication that Nigeria still relies massively on the oil sector export with the nonoil export sector being neglected. It was also found that a positive but

insignificant relationship exist between trade openness and import which implies that Nigeria is a consuming nation and has high propensity to import. Therefore, openness of the trade is not a major determinant of importation in Nigeria.

Thus, it is pertinent to state some policy implications based on the research findings. With this study, Nigeria needs to move aggressively to address infrastructure, transport related and transaction costs. This could be achieved, possibly by creating large scale economies through pooling of resources to develop transport corridors, having common air service to distant destinations, and taking actions to strengthen capacity institutions whose activities directly impact the expansion of trade. These include increased financial allocations to departments of trade, and non-governmental agencies engaged in promoting exports, and build capacity to manage the practical aspects of the trade process such as customs facilities, procedure and regulations.

The implication of this result is that globalization increase investment in foreign trade and consequently economic growth in Nigeria. The findings support the views of Afaha and Njogo (2012), Eleanya (2013), Shuaib, Okutimiren, Odunlami and Ajagbe (2016), Idoko and Abu (2020), Nwofia and Aworinde (2020) that globalization have positive impact on Nigeria's economic growth. Ajayi and Musyimi (2022) observed a positive influence of globalization on financial development in Nigeria while Uzoma and Odungweru (2022) concluded that openness to trade broadens real output growth. On the contrary, Odo, Agbo and Agbaji (2020) noted that there is an interconnectedness between globalization and economic development in Nigeria, which in turn increases the rate of unemployment and hinders democratic development in Nigeria while Wanger and Aras (2020) found negative effect of foreign direct investment in West Africa, Nigeria inclusive.

6.0 Conclusion

Globalization is a phenomenon of integration, always and inevitably time will come when a major readjustment will be made in the distribution of the fruits of global growth from a global perspective, even if we do not know when. Nigeria has benefitted from globalization howbeit high oil export and low nonoil export. The importance of trading at the international market has necessitated the adoption of trade openness by most of the economies around the globe which is aimed at easing flow of goods and services between trading countries. The degree of trade openness have been argued to determine the level of exchange activities that is export and import which has a long way to determine the balance of trade of the countries involved. Nigeria not left out has also adopted trade liberalization and trade liberalization since 1986 with the aim of seeing its exportation rise. Although, it can be said the trade openness actually led to increase in the export of goods in Nigeria, most of the exported goods are in the oil sector with the nonoil sector receiving battering from its international counterpart owing to long term neglect by the Nigerian government. Our findings was able to show that trade openness actually led to increase in GDP growth, massive inflow of imported goods and favourable balance of, but it didn't favour the export sector which is unconnected to low export of nonoil products and services. In sum, Nigeria stands to derive a lot of economic benefits if the rate of foreign trade is increased by opening the borders more for free trade. Government should look inward to seek for other fallow grounds where it can explore and generate resources. Government should explore other sector of the economy such as manufacturing, agriculture, mining and quarrying.

7.Recommendations

The following recommendations are drawn from the study;

1. Government should review the degree of its trade openness by keeping trade openness at a level to ensure inflow of capital and economic growth.
2. CBN should provide more support in the area of finances to exporters through its credit schemes. Such credit should be well supervised and monitored to ensure that it is utilized by the

exporters in financing the development of their products.

3. Policies that encourage foreign investment inflow should be pursued vigorously by the government.
4. There is need for CBN to sustain its policy on exchange rate stability.
5. Government should encourage importation of capital goods to benefit the Nigerian economy.
6. The agencies responsible for the promotion of export goods in Nigeria should be restructured and strengthened with experienced staff to carry out the task of finding new avenue of promoting made in Nigerian goods.

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