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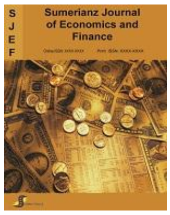

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Globalization and Economic Development in Nigeria

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Abstract
The study investigated the link connecting globalization and economic development in Nigeria. The data used were extracted from the Central Bank of Nigeria (CBN) statistical bulletin and World Bank data base (2018). This study used both co- integration and OLS techniques for data analyses. The result shows 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. It also appears that the trading partners of Nigeria gains more going by the evidence that Nigeria's trans-border trade is still epileptic and underdeveloped. The study recommends that, for Nigeria to profit from globalization, she need to integrate further into the globalized world by diversifying her exports base and products, and also providing a better and more conducive business environment to bring more external investments into the country.
Keywords: Globalization; Economic development co integration; FDI; Openness.

1. Introduction
Globalization, though a complicated process, is an old concept as different parts of the globe has experienced its impacts on differing aspects of their economic, social, environmental and political lives. Consequently, everyone living in today's world has experienced the benefits of globalization in one way or the other: this implies that the expansion of foreign trade has meant that vaccines and antibiotics manufactured in one country can be used elsewhere in the globe to supplement medical cases and challenges.

Since 1900, life expectancy has improved across countries of the globe, and globally, average life expectancy has now doubled (Ospina, 2017). Hence, suffice to state that globalization is among the issues and phenomena that have attracted much attention everywhere. The process has existed from the beginning of human existence and with its modernization/development at different times and stages since its effects has been growing enormously in these modern times.

As developing countries attempt to open up their economies in recent years, they are concerned about globalization and its different effects on economic growth especially as poverty, inequality, environment and cultural dominance are increasing everyday (Samimi and Jenatabadi, 2014). As an important component of the developing world, Nigeria is faced with opportunities and costs of globalization. Although Nigeria is endowed with natural resources, these resources are not being utilized appropriately. It is pertinent to highlight that exploring new ways to harness the Nigeria's resource endowments more efficiently is important and necessary for the country to improve its economic situation and position in the global sphere.

In instances or situations where issues concerning globalization are brought up or analyzed, the link connecting economic development and globalization usually make important headlines. Ensuring economic growth and development is the aim of policy makers as it shows the success of a nation. Hence, the pattern of globalization, analyzing the consequence of globalization on economic development is very crucial. This stems from the premise that globalization has (and continues to have) a profound effect on the globe, and also in the way companies and even governments do business. According to World Bank data, trade accounted for more than 70% of global GDP in 2017, from less than 25% in 1960 (Trefler, 2019).

In this regard, the nature of globalization in the 21st century; fuelled by post-war economic booms, global movements for liberalization and freedom, and the emergence of dominant multinational corporations all resulted to the ever increasing connected world and interdependence among different economies of the world. Thus, governments and businesses have responded to each wave of globalization by harnessing the technological developments presented to refine their strategy and increase growth, bring new innovations, and also evolve and adapt to the changing world.

From the breakdown of the positive benefits of globalization highlighted above, it will suffice to say that on the global scope, globalization has had enormous positive influences and effects on the world in general. This is evidenced in the assertion of Erixon (2018) that ''the period of globalization, between 1980 and 2010, is unique

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because global trade grew very fast. Obviously, international trade grew in the years preceding 1980, and there has also been some growth in the years succeeding 2010, but none of these periods can equate the growth of trading activities during the era of globalization. The same is true for Foreign Direct Investments (FDI): as the multiplier impact can be witnessed from 1980 to 2010''.

But has globalization been an engine of economic development in Nigeria? In this regards, Adesoye *et al.* (2015) have argued forcefully that ''many highly globalized developing countries have not been able to profit from globalization and are still facing the same problems they have been facing for many decades. For instance, Nigeria had embraced globalization since the 1980s with the expectation that enhanced free trade, competitiveness, financial integration, foreign investment and technological advancement would ensure the achievement of rapid growth and development of the economy''.

Contrary to what is expected, the development trend of Nigeria from the 1980s has not been encouraging because poverty incidences are escalating. According to the World Bank (2002) report, ''about 65 percent of the Nigeria population lives below the poverty line, with Nigeria being ranked among the poorest countries of the world, despite its vast economic potentials, attendant natural resources, and most importantly its participation and membership in the league of globalised nations''.

In view of this therefore, this study's major objective is to examine the relationship between globalization and economic development in Nigeria over the period of 1990–2018.

2. Literature Review

Todaro and Smith (2011), views globalization ''as a way by which the economies of the world become more integrated, leading to a global economy and increasingly, global economic policy making''. 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 (Aninat, 2002). Hence, globalization paints the picture of a world without borders, with greater economic integration that increases the standard of living of people across the world.

The concept of globalization has a unique theoretical framework (or underpinnings). Looking at the current occurrences in the global economies, it has been shown that it will be difficult for countries to isolate themselves in a newly converging world. Thus, Ricardo's theory of comparative advantage which posits that countries could better specialize in goods and service that they have comparative advantage in producing can be of relevance in discussing the link between globalization and economic development. This forms the foundation of trade theories which argues that the world economy is becoming interdependent, and ensuring international interconnectivities, most notably in trade. Also, the trade theorists posit that trade was paramount for the development of nations. This argument is not in line with autarky, where an economy is not opened, but closed and accompanied by little relations with other countries of the world. They believed that an economy can be opened. Global industrial structuring in the 1990s was characterized by the increasing specialization of firms and their extensive outsourcing and networking strategies.

As regards, the review of already existing studies on the relationship between globalization and economic development, (Maduka and Madichie, 2017) examined the impact of globalization on economic growth in Nigeria. Specifically, their study used the econometric technique of cointegration and error correction mechanism within the framework of ARDL model to examine the effect of trade openness; foreign direct investment and financial integration (which are all components of globalization) on economic growth in Nigeria. Their study used annual time series secondary data from 1970 to 2015, and it revealed that trade openness; foreign direct investment and financial integration had positive effect on economic growth in Nigeria.

A study by Shuaib *et al.* (2015) focused on the impact of globalization on economic growth in Nigeria. The study covered the period of 1960 to 2010. The ordinary least squares (OLS) were used. This study revealed that globalization had a significant impact on economic growth in Nigeria.

Adesoye *et al.* (2015), investigated the impact of economic globalization on output growth of the Nigerian economy (1970 – 2013). This study used Engle-Granger cointegration and error correction model and found that at a higher exchange rate, an increase in foreign direct investment enhances the growth rate of output in Nigeria.

Utuk (2015), examined the impact of globalization on economic growth in Nigeria in terms of trade and capital flows from 1970 – 2011. Using descriptive analysis, the study revealed that increased trade and capital flows caused by globalization can enhance the country's growth performance.

Ebong *et al.* (2014), also examined ''Globalization and the industrial development of Nigeria''. This study spanned the period 1960 and 2010 while using the Johansen cointegration technique. The findings indicates that globalization had a significant impact on industrial development in Nigerian. Trade openness showed a direct effect on industrial development.

Adeleke *et al.* (2013), in their study examined globalization and economic development in Nigeria. Using the cointegration technique and granger causality tests, their findings revealed that FDI influences the level of economic growth in Nigeria. The findings equally revealed a one-directional causality from FDI to growth.

Sede and Iz (2013), investigated the relationship between economic growth and globalization in Nigeria. This study used the granger causality method of analysis. The findings indicated that globalization does not granger cause economic growth.

Omolade *et al.* (2013), investigated the link between globalization and economic development in Nigeria. The study adopted Johansen cointegration and Granger causality tests and found that trade openness is inversely related to economic development in Nigeria. This study equally indicated a one-directional causality movement from economic development to globalization, but not vice-versa. This implied that Nigeria's trade partners were gaining more than the country, especially the developed trade partners.

Adewuyi (2003), attempted to study how Nigeria could benefit from globalization using descriptive analysis. He observed that Nigeria's current socioeconomic structure does not reflect the international standard for operating in the league of globalized economies, especially in the areas of large-scale reductions in trade barriers, competitiveness of price sector activities and provision of favorable macroeconomic environment and infrastructure.

From the review of empirical literature, it could be observed that all the studies pay particular attention to relationship between globalization and economic growth to the detriment of the link between economic development and globalization. Some of the studies used Granger causality, co- integration and error correction model, descriptive statistics for data analysis with little or no regard to the use of unit root test and OLS for the analysis of data. On this ground, this study examined the link between globalization and economic development in Nigeria using unit root test, co-integration and OLS for data analysis.

3. Methodology

3.1. Source of Data

This research study made use of secondary data. The data used were obtained from CBN Annual Report and Statement of Account, the Central Bank of Nigeria statistical bulletin and the data spreading from 1990 – 2018. Again some of the data were also generated from the World Bank data tables.

3.2. Model Specification

From previous empirical studies, several approaches have been used to demonstrate the impact of globalization on a country's economic development. In this regard, Rodriguez and Dani (1999) were of the opinion that foreign direct investment and trade openness are the most significant variables to capture economic globalization. Furthermore, Ovat (2005) as well as Maduka and Madichie (2017) were of the opinion that financial openness (or financial integration) could also be included as a component of globalization. On this note our model for this study is thus specified as follows:

$HDI = (FDI, TO, FO)$ 1

That is: $HDI = \propto_0 + \propto_1 FDI + \propto_2 TO + \propto_3 FO + \varepsilon_i$ 2

Where;

HDI = Human Development Index (proxy for economic development)

FDI = Foreign Direct Investment

TO = Trade Openness

FO = Financial Openness

ε = Error term or disturbance term

Considering the nature of the objectives of this study, cointegration analysis will be used to verify the existence of long run relationship between globalization and economic development. However, the cointegration test starts with the test for stationarity, which is the unit root test.

3.3. Unit Root Test

Unit root tests are very essential in the study of time series models and co-integration. This stems from the fact that a stochastic process with a unit root is itself non-stationary. In other words, testing for unit roots is same as testing whether a stochastic process is a stationary or non-stationary. Thus, justifying the reason why the testing for units roots plays a central role in the theory and technique of co-integration. Some methods of testing for unit roots are the Dickey- Fuller (DF), Augmented Dickey-Fuller (ADF) test and the Philip Peron (PP) test.

The Augmented Dickey-Fuller (ADF) test is considered superior to the Dickey-Fuller (DF) test because it adjusts appropriately for the occurrence of serial correlation. An important assumption of the DF test is that the error term is independently and identically distributed. The ADF test adjust the DF test to take care of possible serial correlation in the error term by adding the lag difference terms of the regressand.

Phillip and Perron use non-parametric methods to take care of the serial correlation in the error term without adding lagged difference terms. Co-integration is based on the properties of the residuals from regression analysis when the series are individually non stationary. A series is stationary if it has a constant mean and constant finite variance. Thus, a time series Xt is stationary if its mean E(Xt) is independent of time and its variance E{Xt – E (Xt)2} is bounded by some finite number and does not vary systematically with time. It tends to return to its mean with the fluctuations around this mean having constant amplitude.

3.4. Co-integration Test

The theory of multivariate co-integration, as propounded and propagated by Johansen and Joselius provides connection among integrated processes and the notion of long run equilibrium.

The co -integration test commenced with a test for the number of co-integrating relation or rank (r) of p using Johansen's maximal Eigen value of the stochastic matrix and the likelihood Ratio (LR) test based on the trace of the stochastic matrix p which is the long – run multiplier matrix of m x n that is the matrix of the coefficients. Note that the Eigenvalue of p1 are the roots of the kth order characteristic polynomial¦?1–vI¦ obtained by solving the characteristic equation ¦ ?1 –v I ¦ = 0. The number of non – zero Eigenvalue is the rank of the matrix p. Also, the trace statistic suggested by Johansen to determine the co- integration rank in a multivariate model is based on the ordered (estimated) Eigenvalue in the following relation. Where ?i = ordered (estimated) Eigenvalue. This is the relevant test statistic for the null hypothesis r = r0 against the alternative r = r0 +1 following a sequence (This sequence has been fully discussed under chapter three) ? matrix (the matrix of the coefficient in the VAR models) is a product of two matrices a and ß. Let Y denote an n x 1 vector of the I(1) variables the rank of p which is r, determines how many linear combination of the variables in the levels are stationary. If r = 0 such that p = 0, none of the linear combination are stationary. ? can be factored, that is p = aß. Both a and ß are n x r matrices. While ß contains the co-integrating vector (the error – correction mechanism in the system), and a is the adjustment parameter. The Johansen representation theorem establishes formally the theoretical basis of error-correction modeling. According to the theorem, if yt and Xt are co-integrated, then there is a long run relationship between them.

4. Results and Discussion

Table-1. Unit Root Test

Augmented Dickey Fuller (1979) Test					
Variables	**At level**	**Prob.**	**First Difference**	**Prob.**	**Order of Integration**
LogHDI	-2.840030*	0.0660	-	-	I(0)
LogFDI	-1.808201	0.3690	-5.871824***	0.0000	I(1)
LogTO	-1.638826	0.4502	-7.270149***	0.0000	I(1)
LogFO	-2.270615	0.1878	-7.434801***	0.0000	I(1)

Source: *Extract from results*

Notes: ****, ** and * denote 1%, 5% and 10% significance levels at which the null hypothesis of non-stationarity is rejected for all tests. The intercept and trend and intercept are included in the levels and the first difference equations. The optimal lag order are selected based on Schwarz information Criterion (SIC).*

From the table 1, the unit root test results reveal that HDI is stationary at level (that is I(0)) given that ADF statistic of -2.840030 is greater than the critical value at 10%. However for the variables of FDI, TO and FO became stationary at first difference (that is I(1)) since their ADF statistic is greater than their critical value at 1%. This implies that there is mixed order of integration of the variables.

Table-2. Co integration Test

Null Hypothesis	**Trace Statistic**	**0.05 Critical Value**	**Null Hypothesis**	**Max-Eigen Statistics**	**0.05 Critical Value**
r=0*	50.90933	47.85613	r=0*	29.05831	27.58434
r≤1	21.85102	29.79707	r≤1	13.37110	21.13162
r≤2	8.479921	15.49471	r≤2	4.558001	14.26460
r≤3*	3.921920	3.841466	r≤3*	3.921920	3.841466

Source: *Extract from results*

Note: *r represents number of co integrating vectors. Both Trace statistic and Max-Eigen statistic indicates 1 co-integrating equation each. * denotes rejection of the hypothesis at the 0.05 level*

The Trace and Max-Eigen value test in Table 2 reveal a long-run relationship among the variables since their statistical value is greater than their respective critical values for the co integrating equations at 5% significance level. This implies a stationary linear combination, as such the non-stationary time series are co integrated. The application of the OLS approach will therefore yield dependable results. The result is presented below:

Table-3. OLS Regression Result

Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
C	0.283549	0.089384	3.172257	0.0040
LogFDI	0.016777	0.005590	3.001207	0.0060
LogTO	-0.000822	0.000227	-3.620075	0.0013
LogFO	-0.048604	0.005763	-8.433649	0.0000
Adjtd. R-squared = 0.883780 F-stat =71.97386 Prob(F-stat) =0.000000				

Source: *Extract from results*

The coefficient of FDI exert positive relationship on human development index and statistically significant, which conforms to apriori expectation. This implies that one unit change in the value of FDI, will lead to 0.016777 changes in human development index. This result further support the findings of Omolade *et al.* (2013) where the observed that FDI had a positive relationship with GDP and, thus stimulates economic development. In addition, in recent time, studies have asserted that FDI inflows is not growth enhancing reason being that it is channelled more into the extractive industries i.e the oil and gas sector of the Nigerian economy as against the real sector or the manufacturing sector of the economy. Hence, this could be the reason for the low or small size of the coefficient of FDI as shown in the table above.

The coefficient of TO (i.e trade openness) shows an inverse relationship with the Human Development Index (HDI). By comparing the coefficient of TO to its standard error, we discover that the variable is statistically significant in estimating the model, even though it doesn’t conform to apriori expectation. This contradicts the findings of Maduka and Madichie (2017) which posits that TO has a positive significant relationship with GDP and, therefore translates into economic growth in the domestic economy. The reason for the negative relationship is not far-fetched. It could be based on the fact the trans-border trade in the past decade have not augur well for Nigerians and Nigerian business class because of the negative impact or influence of the exchange rate. The Naira to Dollar exchange rate in the past 2 decades has made trans-border trade expensive, difficult and uneconomical to both the trans-border traders and the rest of the economy. Consequently, imported goods are much more expensive, and have thus affected income and cost of living adversely, thereby impacting negatively on the development of the domestic economy. Also, the fact that the bulk of Nigeria's trading activities with the outside world is more in the export of raw materials and primary produce also makes it difficult for the nation to reap the dividend of trade openness. These raw materials and primary produce have low demand elasticities and as such are valued less in the international commodity markets as opposed to manufactured goods and other final tangible products that we import from other countries.

The coefficient for the Financial Openness indicates an inverse relationship with the dependent variable i.e human development index. Though FO is statistically significant when its coefficient is compared to its standard error, it does not conform to the apriori expectation. The reason for the negative relationship could be justified on the ground that the Nigerian financial sector is not fully integrated into the global financial system. This could be seen in the fact that most commercial banks and other players in the Nigerian financial sector like insurance companies, merchant banks etc do not have oversea branches and network. In instances where they claim to have such branches and oversea links, the activities and operations of such diaspora arms are usually very skeletal and not influential in the foreign economies where they claim to operate. As such, the players in the Nigerian financial markets have little or no influence in the global financial space. Hence, it will not be surprising to observe that financial openness will not impact positively on the development of the Nigerian economy. This view supports the empirical findings of Omolade *et al.* (2013).

Going by the findings from the co- integration test and the regression result shown above, it could be observed that globalization has not been having a very significant influence on the Nigerian economic development. Though there exist long-run relationship linking both variables, but other links which this study has exposed suggests that such long-run nexus may be weak since the various components of globalization do not reveal any enormous influence on economic development.

Recommendations

In view of the findings from this research work, the study recommends that effort should be made by the Nigerian government to stimulate or increase the inflow of FDI into the country. Also, adequate measures should be taken to improve on the nation's trans-border trade and trade relationships between the country and the rest of the world so that the domestic economy can benefit more from influence of economic globalization. The study also recommended trade restrictions in some aspects of production so as to encourage the domestic industries, promote the real sector of the economy generally, and improve on the economy's export base. Consequently, domestic output will be boosted, especially in the real productive sector of the domestic economy and this will no doubt promote the gains from globalization in Nigeria.

5. Conclusion

It is pertinent to state that many developing economies have not been able to reap from the gains of globalization and therefore are still faced with the same challenges they have experienced for several years on. Nigeria, for instance had keyed into globalization in the 1980s when it embraced the IMF/World Bank Structural Adjustment Programme (SAP) with the hope and aspiration that free trading activities, global competition, financial integration, FDI as well as global technology transfer could lead to the enormous growth and development of her economy. Conversely however, the development and growth trend of the country since the 1980s has not been encouraging. Hence, despite embracing the new idea known as globalization plus its vast economic potentials and its attendant natural resources, Nigeria still ranks among the undeveloped nations of the world. .

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