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THE IMPACT OF GLOBALIZATION ON ECONOMIC GROWTH IN  
NIGERIA

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**Abstract**

*This study examined the relationship between globalization and economic growth in Nigeria over the period 1981–2024. The study was motivated by the integration of the Nigerian economy into the global system through international trade, foreign investment, exchange rate movements and information and communication technology. The study adopted an ex-post facto research design and employed annual data during the period. Economic growth was measured by real gross domestic product, while trade openness, foreign direct investment, exchange rate and information and communication technology were used as explanatory variables. The data were analysed using parsimonious Error Correction Model (ECM). The parsimonious ECM results revealed that trade openness had a positive and statistically significant effect on economic growth. Foreign direct investment also exerted a positive and statistically significant effect on economic growth. Exchange rate had a negative but statistically insignificant effect at the 5% level, while information and communication technology had a negative and statistically significant effect on economic growth. The study concluded that globalization has mixed effects on economic growth in Nigeria, with trade openness and foreign direct investment supporting growth, while ICT exhibited a negative effect and exchange rate was statistically insignificant. The study recommends that government should promote productive trade openness, attract foreign direct investment, pursue policies that support exchange rate stability, and improve ICT infrastructure, affordability and digital skills to strengthen the contribution of globalization to economic growth.*

**Keywords:** Globalization; Economic Growth; Trade Openness; Foreign Direct Investment; Exchange Rate; Information and Communication Technology; Error Correction Model.

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**Introduction**

Globalization has emerged as one of the most significant developments shaping the world economy in the twenty-first century. It refers to the increasing integration and interdependence of national economies through international trade, foreign direct investment, technological advancement, capital flows, communication systems, and cultural exchange. Globalization has transformed the economic structure of many nations by creating opportunities for market expansion, technology transfer, improved productivity, and increased international cooperation. Developing countries such as Nigeria have increasingly become integrated into the global economic system through trade liberalization, financial openness, foreign investments, and participation in international organizations such as the World Trade Organization (WTO), International Monetary Fund (IMF), and the World Bank (Ajayi et al., 2023).

Economic growth, on the other hand, refers to the sustained increase in the productive capacity of an economy over time, usually measured by the growth in Real Gross Domestic Product (RGDP). Economic growth is essential for improving living standards, reducing poverty, generating employment opportunities, and promoting national development. In Nigeria, achieving sustainable economic growth has remained a major policy objective since

independence due to persistent challenges such as unemployment, poverty, inflation, low industrial productivity, exchange rate instability, and overdependence on crude oil exports. Successive governments have therefore adopted various economic reforms aimed at integrating the Nigerian economy into the global market in order to stimulate growth and development (Yusuf, 2023).

Nigeria's globalization process became more pronounced during the Structural Adjustment Programme (SAP) introduced in 1986. The SAP policies emphasized trade liberalization, privatization, deregulation, and foreign investment promotion. These reforms were designed to open the Nigerian economy to global competition and attract foreign capital inflows. Since then, Nigeria has experienced increased participation in international trade, growth in foreign direct investment inflows, expansion in telecommunications, financial sector liberalization, and technological advancement. The rapid spread of information and communication technology has further deepened Nigeria's integration into the global economy (Ajayi et al., 2023).

The impact of globalization on Nigeria's economic growth has generated considerable debate among scholars, policymakers, and economists. Proponents of globalization argue that it promotes economic efficiency, improves productivity, encourages competition, enhances technological innovation, and expands access to foreign markets. Through globalization, Nigeria has witnessed improvements in sectors such as telecommunications, banking, entertainment, and digital services. Increased foreign investment and international trade have also contributed to government revenue generation and infrastructural development in some sectors of the economy. Recent reforms aimed at liberalizing the economy and improving investor confidence have further strengthened Nigeria's integration into the global economy (Nwokoro, 2024).

Despite these potential benefits, globalization has also exposed the Nigerian economy to several challenges. The economy remains vulnerable to fluctuations in global oil prices because crude oil constitutes a major source of export earnings and government revenue. Excessive dependence on imports, weak industrial capacity, unemployment, capital flight, and unequal distribution of globalization gains have continued to limit the developmental impact of globalization in Nigeria. Furthermore, local industries often struggle to compete with foreign firms due to inadequate infrastructure, poor technological development, and inconsistent government policies. Scholars have argued that while globalization may stimulate growth in some sectors, it can also widen income inequality and deepen economic dependency if not properly managed (Nwosa, 2020).

Empirical studies on the relationship between globalization and economic growth in Nigeria have produced mixed findings. Some studies revealed that globalization indicators such as trade openness, foreign direct investment, and technological diffusion positively influence economic growth, while others found insignificant or negative relationships due to structural weaknesses in the Nigerian economy. Uruakpa (2023) found that trade liberalization and foreign direct investment contributed positively to economic growth in Nigeria. Similarly, Okolie and Okoye (2023) observed that globalization creates opportunities for investment expansion, technological innovation, and increased productivity. However, they further noted that the benefits of globalization are constrained by corruption, weak institutions, policy inconsistency, and inadequate industrial development.

In view of the increasing interconnectedness of the global economy and Nigeria's continuous participation in global economic activities, it becomes necessary to examine the relationship between globalization and economic growth in Nigeria. The rest of the paper contains the literatures review, methodology, results and discussion, conclusion and recommendations.

## **Literature Review**

### **Conceptual Clarification**

#### **Globalization**

Globalization refers to the increasing integration and interdependence of economies, societies, cultures, and political systems across the world through the movement of goods, services, capital, technology, information, and labour. It involves the removal of barriers to international trade and investment, thereby allowing countries to participate more actively in the global economy. Globalization is driven by technological advancement, liberalization policies, international trade agreements, and improvements in transportation and communication systems. In the economic sense, globalization promotes the expansion of markets beyond national boundaries and encourages greater interaction among countries in terms of production, consumption, and financial activities.

Globalization became more prominent in many developing countries during the late twentieth century following the adoption of liberal economic reforms encouraged by international financial institutions such as the International Monetary Fund and the World Bank. In Nigeria, globalization gained momentum after the introduction of the Structural Adjustment Programme (SAP) in 1986, which emphasized trade liberalization, privatization, deregulation, and export promotion. These reforms aimed at integrating Nigeria into the global economy and attracting foreign investments that would stimulate economic growth and industrial development.

#### **Trade Openness**

Trade openness refers to the degree to which a country allows the free flow of goods and services across its borders through imports and exports. It measures the extent of a country's integration into the global trading system and is commonly represented by the ratio of total trade (imports plus exports) to gross domestic product. Trade openness is considered an important component of globalization because it encourages countries to specialize in the production of goods and services where they have comparative advantage, thereby increasing efficiency and productivity.

Trade openness promotes economic growth by expanding market opportunities, increasing export earnings, encouraging competition, and facilitating access to advanced technology and production methods. Countries that adopt open trade policies are able to benefit from larger international markets and attract foreign investors seeking favourable business environments. In developing economies such as Nigeria, trade openness is expected to support industrial development, employment generation, and foreign exchange earnings through increased participation in international trade. (Krugman and Obstfeld, 2018; Iyoha, 2022; Central Bank of Nigeria, 2024).

#### **Foreign Direct Investment**

Foreign direct investment refers to investment made by foreign individuals, multinational corporations, or institutions into the productive sectors of another country with the aim of establishing business operations or acquiring ownership interests. Unlike portfolio investment, foreign direct investment involves long-term participation and managerial control in business activities such as manufacturing, banking, telecommunications, construction, and oil exploration. Foreign direct investment is regarded as one of the major channels through which globalization influences economic growth and development.

Foreign direct investment contributes to economic growth by providing capital inflows, employment opportunities, technological transfer, managerial expertise, and access to international markets. Developing countries often rely on foreign direct investment to supplement domestic savings and finance industrial expansion and infrastructural development. In Nigeria, foreign direct investment has been concentrated mainly in the oil and

gas sector, telecommunications, banking, and manufacturing industries. The liberalization policies adopted by the government were intended to create a conducive environment for attracting foreign investors into the economy (Akinlo, 2021).

### **Exchange Rate**

Exchange rate refers to the price of one country's currency in relation to another country's currency. It determines how much of a domestic currency is required to purchase a foreign currency and plays an important role in international trade, investment, and financial transactions. Exchange rate is a critical macroeconomic variable in an open economy because it affects import and export activities, foreign investment decisions, inflation, and external debt servicing obligations.

A stable and competitive exchange rate encourages international trade and investment by reducing uncertainty in economic transactions. Exchange rate depreciation can make exports cheaper and more competitive in international markets, thereby increasing export earnings and stimulating domestic production. On the other hand, excessive exchange rate volatility may discourage foreign investment, increase production costs, and contribute to inflationary pressures within the economy. (Mishkin, 2019; Central Bank of Nigeria, 2024; IMF, 2024).

### **Information and Communication Technology**

Information and communication technology refers to technological tools and systems used for the creation, processing, storage, transmission, and exchange of information. It includes computers, internet services, telecommunications networks, mobile phones, software applications, and digital communication systems. Information and communication technology is an important aspect of globalization because it facilitates global communication, business transactions, innovation, and access to information across countries.

The advancement of information and communication technology has transformed economic activities and improved productivity in many sectors of the economy. ICT promotes economic growth by improving efficiency, reducing transaction costs, increasing access to information, enhancing business operations, and creating employment opportunities. In Nigeria, the telecommunications sector has experienced rapid growth due to technological globalization and increased private sector participation. The widespread use of mobile phones, internet services, and digital platforms has improved communication, financial transactions, education, and commercial activities (Castells, 2010; World Bank, 2023; Nigerian Communications Commission, 2024).

### **Economic Growth**

Economic growth refers to the sustained increase in the productive capacity of an economy over time, usually measured by the growth in real gross domestic product. It reflects the ability of a country to produce more goods and services over a given period and is often associated with improvements in living standards, employment opportunities, income levels, and general welfare of the population. Economic growth is one of the primary objectives of macroeconomic policy because it determines the economic strength and development capacity of a nation.

Economic growth is influenced by several factors including capital accumulation, technological advancement, human capital development, foreign investment, trade expansion, political stability, and institutional quality. In developing economies such as Nigeria, economic growth is also affected by globalization through international trade, financial integration, technological transfer, and foreign direct investment. The relationship between globalization and economic growth has remained a major area of interest among economists and policymakers due to the increasing interconnectedness of the global economy (Mankiw, 2021; Todaro & Smith, 2020; Central Bank of Nigeria, 2024).

## **Theoretical Framework**

Several theories explain the relationship between globalization and economic growth. This study is anchored on the Comparative Advantage and Theory, Dependency.

### **Comparative Advantage Theory**

The Comparative Advantage Theory was developed by David Ricardo in 1817. The theory explains that countries should specialize in the production of goods and services in which they have lower opportunity costs relative to other countries and engage in international trade for goods they cannot efficiently produce. According to Ricardo, international trade benefits all participating countries because specialization increases efficiency, productivity, and overall economic welfare.

The theory supports globalization by emphasizing the importance of trade openness and international specialization in promoting economic growth. Through globalization, countries are able to access larger markets, obtain foreign exchange earnings, increase production efficiency, and improve resource allocation. Developing countries such as Nigeria can benefit from globalization by specializing in sectors where they possess comparative advantage, such as crude oil production, agriculture, and certain natural resources (Ricardo, 1817; Krugman & Obstfeld, 2018).

### **Dependency Theory**

Dependency Theory emerged in the 1960s through the works of scholars such as Andre Gunder Frank and Raul Prebisch. The theory argues that the global economic system is structured in a way that benefits developed countries at the expense of developing countries. According to the theory, developing economies remain dependent on advanced industrialized nations for technology, capital, manufactured goods, and financial support, thereby limiting their economic independence and development.

Dependency theorists argue that globalization often reinforces unequal economic relationships between developed and developing countries. Developing countries mainly export raw materials and import finished products from industrialized economies, leading to unequal terms of trade and continuous economic dependency. In the Nigerian context, dependency theory explains how reliance on crude oil exports and imported manufactured goods has weakened domestic industries and limited economic diversification (Frank, 1967; Prebisch, 1950; Todaro & Smith, 2020).

### **Empirical Literature**

Several empirical studies have examined the relationship between globalization and economic growth in both developed and developing economies. The findings from these studies have remained mixed due to differences in methodologies, variables, time periods, and economic conditions across countries.

Adebayo and Ojo (2025) examined the impact of globalization on economic growth in Nigeria using annual time series data covering the period from 1986 to 2024. The study employed the Autoregressive Distributed Lag (ARDL) estimation technique to analyze the relationship between trade openness, foreign direct investment, exchange rate, information and communication technology, and real gross domestic product. Secondary data were sourced from the Central Bank of Nigeria Statistical Bulletin and World Development Indicators database. The findings revealed that trade openness and information and communication technology exerted positive and statistically significant effects on economic growth in the long run, while exchange rate instability negatively affected growth performance. The study further showed that foreign direct investment contributed positively to economic growth, although its impact was relatively low due to insecurity, poor infrastructure, and policy inconsistency. The researchers concluded that globalization has the potential to accelerate economic growth in Nigeria if supported with stable macroeconomic policies and infrastructural development. The

study recommended that government should strengthen export promotion policies, stabilize exchange rates, and improve digital infrastructure to maximize the gains from globalization.

Okonkwo, Eze and Ibrahim (2025) investigated globalization and economic performance in selected African economies with specific emphasis on Nigeria, Ghana, Kenya, and South Africa. The study utilized panel data covering the period from 1995 to 2024 and employed the Fixed Effect and Random Effect Models for analysis. The explanatory variables included trade openness, foreign direct investment, internet penetration, and exchange rate, while economic growth was proxied using real GDP growth rate. The empirical findings revealed that globalization positively influenced economic growth across the selected countries through increased investment inflows, trade expansion, and technological innovation. However, the study also found that weak institutional quality, political instability, and infrastructural deficiencies reduced the positive impact of globalization in many African economies. The researchers concluded that globalization alone cannot guarantee sustainable economic growth without effective domestic economic policies and strong institutions. The study recommended that African governments should invest more in infrastructure, strengthen institutional quality, and diversify their economies away from excessive dependence on primary commodity exports.

Ibrahim and Yusuf (2025) carried out a study on foreign direct investment and economic growth in Nigeria using annual data from 1981 to 2024. The study adopted ex post facto research design and employed Ordinary Least Squares (OLS), Johansen Cointegration, and Error Correction Mechanism techniques for data analysis. Data for the study were obtained from the Central Bank of Nigeria, National Bureau of Statistics, and the World Bank database. The findings indicated that foreign direct investment had a positive and statistically significant relationship with economic growth in Nigeria, especially in the telecommunications, banking, and oil sectors. The study further revealed that globalization enhanced technological transfer and managerial efficiency within the Nigerian economy. However, insecurity, corruption, poor electricity supply, and weak infrastructure limited the overall benefits of foreign direct investment. The researchers concluded that creating a conducive business environment would enhance the contribution of foreign direct investment to economic growth. The study recommended policies aimed at improving security, reducing corruption, and promoting infrastructural development.

Adewumi and Olalekan (2025) examined the effect of globalization on sustainable economic growth in Nigeria using annual time series data covering the period from 1981 to 2024. The study employed the Autoregressive Distributed Lag (ARDL) model and Error Correction Mechanism to analyze the long-run and short-run relationship between globalization indicators and economic growth. The variables used included trade openness, foreign direct investment, exchange rate, and internet penetration rate, while real gross domestic product served as the proxy for economic growth. The findings revealed that trade openness and ICT penetration positively influenced economic growth in Nigeria, while exchange rate instability negatively affected productive activities in the economy. The study further discovered that globalization contributed to increased capital inflows and technological advancement in the Nigerian economy. However, the researchers noted that poor infrastructure and insecurity limited the full benefits of globalization. The study recommended increased investment in infrastructure, stable exchange rate policies, and the promotion of non-oil exports to sustain economic growth.

Bakare and Mohammed (2025) investigated the relationship between globalization and manufacturing sector performance in Nigeria using annual data from 1990 to 2024. The study adopted the Fully Modified Ordinary Least Squares (FMOLS) estimation technique and sourced data from the Central Bank of Nigeria Statistical Bulletin and World Development Indicators database. The findings showed that globalization significantly improved

manufacturing output through access to foreign technology, international markets, and foreign direct investment. However, the study also found that excessive importation of finished products negatively affected local manufacturing firms and contributed to industrial decline in some sectors. The researchers concluded that globalization can only promote sustainable industrial growth when local industries are adequately protected and supported. The study recommended the implementation of industrial policies that encourage local production, technological innovation, and export-oriented manufacturing.

Chukwuemeka and Hassan (2025) examined foreign direct investment and economic growth in Nigeria using secondary data covering the period from 1986 to 2024. The study employed Johansen Cointegration and Vector Error Correction Model techniques to analyze the relationship between the variables. The empirical findings indicated that foreign direct investment had a positive and significant effect on economic growth, especially in the banking, telecommunications, and oil sectors. The study also revealed that globalization facilitated technology transfer and managerial efficiency within the Nigerian economy. However, the researchers observed that corruption, policy inconsistency, and insecurity reduced investor confidence and hindered the full realization of the benefits associated with foreign direct investment. The study recommended policy reforms aimed at improving the business environment and strengthening institutional frameworks.

Afolabi and Ahmed (2024) examined trade openness and economic growth in Nigeria using quarterly data spanning from 1990 to 2023. The study employed the Vector Error Correction Model (VECM) to analyze the short-run and long-run relationship among the variables. The findings showed that trade openness positively influenced economic growth in the long run through increased export earnings and international market integration. However, the study revealed that excessive dependence on imports negatively affected domestic manufacturing industries and contributed to rising unemployment. The researchers observed that many local firms lacked the technological and financial capacity to compete effectively with imported products. The study concluded that although globalization creates opportunities for economic growth, weak industrial capacity can limit the developmental benefits of trade liberalization. The researchers recommended that government should strengthen local industries through industrial protection policies, infrastructure development, and access to affordable credit facilities.

Ogunleye and Musa (2024) investigated globalization and industrial development in Nigeria using annual data obtained from the World Development Indicators and Central Bank of Nigeria Statistical Bulletin. The study adopted the Fully Modified Ordinary Least Squares (FMOLS) estimation technique to analyze the relationship between globalization indicators and industrial output. The findings revealed that globalization positively contributed to industrial productivity through technological innovation, foreign investment inflows, and increased access to international markets. However, the study also discovered that excessive importation of foreign manufactured goods negatively affected local industries and reduced domestic production capacity. The researchers concluded that globalization could only promote industrial growth in Nigeria if accompanied by strong industrial policies and investment in productive sectors. The study recommended increased government support for local industries and the implementation of local content policies aimed at reducing import dependency.

Nwankwo and Okafor (2024) examined the effect of information and communication technology on economic growth in Nigeria using time series data from 1995 to 2023. The study employed the Autoregressive Distributed Lag (ARDL) estimation technique to determine the relationship between ICT development and economic growth. Data for the study were sourced from the Nigerian Communications Commission, Central Bank of Nigeria, and World Bank database. The findings showed that ICT development significantly improved economic growth

by enhancing communication systems, increasing financial inclusion, improving business efficiency, and promoting digital transactions. The study also revealed that internet penetration and mobile phone subscriptions positively contributed to productivity growth in Nigeria. However, poor electricity supply, high internet costs, and limited rural connectivity constrained the full benefits of ICT development. The researchers recommended increased investment in digital infrastructure and broadband services across the country.

Bello and Ismaila (2024) investigated exchange rate fluctuations and economic growth in Nigeria within the context of globalization using annual data from 1986 to 2023. The study employed the Generalized Method of Moments (GMM) estimation technique for analysis. The findings revealed that exchange rate volatility negatively affected economic growth by increasing production costs, discouraging foreign investment, and creating macroeconomic instability. The study further indicated that globalization exposed Nigeria to fluctuations in international oil prices and foreign exchange markets due to the country's dependence on crude oil exports. The researchers concluded that exchange rate stability remains essential for achieving sustainable economic growth in Nigeria. The study recommended that the Central Bank of Nigeria should implement effective monetary and exchange rate policies capable of reducing volatility in the foreign exchange market.

### Research Methodology

This section presents the research procedures adopted in estimating the specified model for this study. The study relies on time series data covering the period from 1981 to 2024 in order to examine the impact of globalization on economic growth in Nigeria. The methodological framework includes the research design, sources of data, model specification, description of variables, and techniques of data analysis.

The study relies exclusively on secondary data. The data are obtained from reliable and recognized sources such as the Central Bank of Nigeria (CBN) Statistical Bulletin (2024 edition), the World Bank World Development Indicators (WDI), and publications from the National Bureau of Statistics (NBS). These sources are widely accepted in empirical economic research due to their credibility and consistency. The dependent variable for the study is Real Gross Domestic Product (RGDP), which is used as a proxy for economic growth. The explanatory variables include trade openness, foreign direct investment, exchange rate, and information and communication technology (ICT), which represent key dimensions of globalization.

### Model Specification

Based on theoretical foundations from endogenous growth theory and globalization literature, the functional relationship between globalization and economic growth is specified as:

$$RGDP_t = f(TO_t, FDI_t, EXR_t, ICT_t) \quad (1)$$

The econometric form of the model is expressed as:

$$RGDP_t = \beta_0 + \beta_1 TO_t + \beta_2 FDI_t + \beta_3 EXR_t + \beta_4 ICT_t + \mu_t \quad (2)$$

Where:

RGDP = Real Gross Domestic Product (Economic Growth)

TO = Trade Openness

FDI = Foreign Direct Investment

EXR = Exchange Rate

ICT = Information and Communication Technology

$\beta_0$  = Intercept term

$\beta_1 - \beta_4$  = Coefficients of explanatory variables

$\mu_t$  = Error term

t = Time period

The study employs the Error Correction Mechanism (ECM) to estimate the short-run and long-run relationships between globalization indicators and economic growth in Nigeria. The ECM is appropriate for the study because it captures both the short-run adjustments in the variables and the speed at which deviations from the long-run equilibrium relationship are corrected. The technique is particularly suitable where the variables are non-stationary in levels but become stationary after first differencing and are cointegrated.

## Results and Discussion

### Test of Stationarity

The Augmented Dickey-Fuller (ADF) unit root test was employed to examine the stationarity properties of the variables. The test was conducted at the 5% significance level. The null hypothesis states that the variable has a unit root. A variable is considered stationary when the null hypothesis is rejected.

**Table 1:** Unit root test for stationarity

| Variable | ADF Statistic |        | ADF Statistic          |        | Order of Int. |
|----------|---------------|--------|------------------------|--------|---------------|
|          | @ Level       | Prob   | @ 1 <sup>st</sup> Diff | Prob   |               |
| LOG(EXR) | -1.820178     | 0.6775 | -4.986911              | 0.0012 | I (1)         |
| LOG(MS)  | 0.551425      | 0.9991 | -4.112452              | 0.0123 | I (1)         |
| INFR     | -4.265494     | 0.0081 | -                      | -      | I (0)         |
| INTR     | -2.349859     | 0.3994 | -7.731811              | 0.0000 | I (1)         |

**Source:** Author's computation using EViews 12.

The variables revealed a mixture of I (0) and I (1). This combination of integration orders provides the basis for applying the ARDL approach to examine the long-run and short-run relationships between globalization and economic growth in Nigeria. In this study we employed the error correction mechanism.

### Cointegration Test

The Johansen cointegration test was employed to determine whether a long-run equilibrium relationship exists among economic growth (RGDP), trade openness (TOP), foreign direct investment (FDI), exchange rate (EXR), and information and communication technology (ICT) in Nigeria. The test was conducted using the Trace and Maximum Eigenvalue statistics at the 5% significance level.

**Table 2:** Johansen Cointegration Test

| Hypothesized No. of CE(s) | Trace Statistic | 5% CV    | Prob   | Decision              |
|---------------------------|-----------------|----------|--------|-----------------------|
| None                      | 94.26176        | 69.81889 | 0.0002 | Reject H <sub>0</sub> |
| At most 1                 | 57.84639        | 47.85613 | 0.0044 | Reject H <sub>0</sub> |
| At most 2                 | 31.23790        | 29.79707 | 0.0339 | Reject H <sub>0</sub> |
| At most 3                 | 11.46423        | 15.49471 | 0.1845 | Accept H <sub>0</sub> |
| At most 4                 | 0.675372        | 3.841465 | 0.4112 | Accept H <sub>0</sub> |

**Source:** Author's computation using EViews 12.

The Trace test indicates that the null hypothesis of no cointegrating relationship is rejected because the trace statistic is greater than the 5% critical value, with a probability value less than 0.05. The hypotheses of at most one and at most two cointegrating relationships are also rejected. However, the hypotheses of at most three and at most four cointegrating relationships are accepted because their probability values are greater than 0.05. Therefore, the Trace test indicates three cointegrating equations among the variables.

Maximum Eigenvalue Test

**Table 3:** Johansen Cointegration Test

| Hypothesized No. of CE(s) | Max-Eigen Statistic | 5% CV    | Prob   | Decision     |
|---------------------------|---------------------|----------|--------|--------------|
| None                      | 36.41536            | 33.87687 | 0.0243 | Reject $H_0$ |
| At most 1                 | 26.60850            | 27.58434 | 0.0663 | Accept $H_0$ |
| At most 2                 | 19.77366            | 21.13162 | 0.0765 | Accept $H_0$ |
| At most 3                 | 10.78886            | 14.26460 | 0.1651 | Accept $H_0$ |
| At most 4                 | 0.675372            | 3.841465 | 0.4112 | Accept $H_0$ |

**Source:** Author's computation using EViews 12.

The Maximum Eigenvalue test shows that the null hypothesis of no cointegration is rejected because the Maximum Eigenvalue statistic of 36.41536 exceeds the 5% critical value of 33.87687, with a probability value of 0.0243. However, the null hypothesis of at most one cointegrating equation is accepted because its probability value of 0.0663 is greater than 0.05. The remaining hypotheses are also accepted. Thus, the Maximum Eigenvalue test indicates one cointegrating relationship among economic growth, trade openness, foreign direct investment, exchange rate and ICT.

### Parsimonious Error Correction Model

The parsimonious error correction model was estimated to examine the long-run effects of globalization on economic growth in Nigeria.

**Table 4:** Parsimonious Error Correction Model  
Dependent Variable: DLOG(RGDP)

| Variable           | Coefficient | Std. Error            | t-Statistic | Prob.     |
|--------------------|-------------|-----------------------|-------------|-----------|
| C                  | 0.041234    | 0.012170              | 3.388293    | 0.0024    |
| DLOG(RGDP(-1))     | 0.371671    | 0.148621              | 2.500798    | 0.0196    |
| DLOG(TOP)          | 0.071415    | 0.018191              | 3.925842    | 0.0092    |
| DLOG(TOP(-2))      | -0.017312   | 0.018206              | -0.950891   | 0.3511    |
| DLOG(TOP(-3))      | -0.002416   | 0.019055              | -0.126797   | 0.9002    |
| D(FDI)             | 0.02986     | 0.008414              | 3.548847    | 0.0007    |
| D(FDI(-1))         | 0.021442    | 0.009197              | 2.331364    | 0.0285    |
| D(FDI(-2))         | 0.014271    | 0.009096              | 1.568907    | 0.1298    |
| D(FDI(-3))         | 0.021528    | 0.006699              | 3.213579    | 0.0037    |
| DLOG(EXR)          | -0.039817   | 0.019596              | -2.031878   | 0.0534    |
| DLOG(EXR(-1))      | -0.011070   | 0.022872              | -0.484006   | 0.6328    |
| DLOG(EXR(-2))      | -0.036157   | 0.024486              | -1.476643   | 0.1528    |
| D(ICT)             | -0.131044   | 0.065284              | -2.007291   | 0.0487    |
| D(ICT(-1))         | 0.024863    | 0.063223              | 0.393260    | 0.6976    |
| D(ICT(-2))         | -0.066243   | 0.065489              | -1.011523   | 0.3219    |
| ECM(-1)            | -0.136163   | 0.029802              | -4.568922   | 0.0000    |
| R-squared          | 0.551549    | Mean dependent var    |             | 0.040096  |
| Adjusted R-squared | 0.271267    | S.D. dependent var    |             | 0.035862  |
| S.E. of regression | 0.030614    | Akaike info criterion |             | -3.845542 |
| Sum squared resid  | 0.022493    | Schwarz criterion     |             | -3.169990 |
| Log likelihood     | 92.91083    | Hannan-Quinn criter.  |             | -3.601283 |
| F-statistic        | 1.967839    | Durbin-Watson stat    |             | 2.213858  |
| Prob(F-statistic)  | 0.067358    |                       |             |           |

**Source:** Author's computation using EViews 12.

The current change in trade openness has a coefficient of 0.071415 and a probability value of 0.0092. The positive coefficient indicates that trade openness has a positive relationship with economic growth in the short run. This implies that an increase in trade openness is associated with an increase in real GDP, holding other variables constant. The

coefficient suggests that a one-percent increase in trade openness is associated with approximately a 0.071% increase in real GDP in the short run, given that both variables are expressed in logarithmic form. The probability value of 0.0092 is less than the 5% significance level. Therefore, the null hypothesis is rejected. This establishes that the current change in trade openness has a statistically significant positive effect on economic growth in Nigeria in the short run. The result suggests that greater integration of the Nigerian economy into international trade is associated with improved economic growth within the period examined.

The current change in foreign direct investment has a coefficient of 0.029860 and a probability value of 0.0007. The positive coefficient indicates that FDI has a positive relationship with economic growth in the short run. Thus, an increase in foreign direct investment is associated with an increase in real GDP, holding other variables constant. The coefficient of 0.029860 indicates that a one-unit increase in the change in FDI is associated with approximately a 0.030-unit increase in the change in real GDP, *ceteris paribus*. The probability value of 0.0007 is less than 0.05. Therefore, the null hypothesis is rejected. This means that the current change in FDI has a statistically significant positive effect on economic growth in Nigeria in the short run. The result indicates that foreign investment inflows are associated with increased economic activity during the period covered by the study.

The current change in the exchange rate has a coefficient of -0.039817 and a probability value of 0.0534. The negative coefficient indicates an inverse relationship between changes in the exchange rate and economic growth in the short run. This revealed that an increase in the exchange rate, representing a depreciation of the domestic currency under the study's exchange-rate measurement, is associated with a reduction in economic growth, holding other variables constant. The coefficient indicates that a one-percent change in the exchange rate is associated with approximately a 0.040% decrease in real GDP in the short run. However, the probability value of 0.0534 is slightly greater than the 5% significance level. Therefore, the null hypothesis is accepted at the 5% level. This means that the current change in exchange rate has a negative but statistically insignificant effect on economic growth in Nigeria in the short run. Although the estimated relationship is negative, the result does not provide sufficient statistical evidence to establish a significant current exchange-rate effect on economic growth at the 5% level.

The current change in ICT has a coefficient of -0.131044 and a probability value of 0.0487. The negative coefficient indicates an inverse relationship between changes in ICT and economic growth in the short run. This implies that an increase in the current change in ICT is associated with a decrease in real GDP, holding other variables constant. The coefficient of -0.131044 indicates that a one-unit increase in the change in ICT is associated with approximately a 0.131-unit decrease in the change in real GDP, *ceteris paribus*. The probability value of 0.0487 is less than 0.05. Therefore, the null hypothesis is rejected. This indicates that the current change in ICT has a statistically significant negative effect on economic growth in Nigeria in the short run. Thus, although ICT is expected to support economic activity through improved communication, information access and productivity, the estimated result for the period and variables examined shows a significant negative short-run relationship with economic growth.

The error correction mechanism (ECM) term, represented by ECM (-1), has a coefficient of -0.136163 with a probability value of 0.0000. The coefficient is negative and statistically significant at the 5% level. This satisfies the expected condition for an error correction term, which should generally be negative and significant when a valid long-run equilibrium relationship exists among the variables. The coefficient of -0.136163 indicates that approximately 13.62% of the disequilibrium between economic growth and the explanatory variables in the previous period is corrected in the current period.

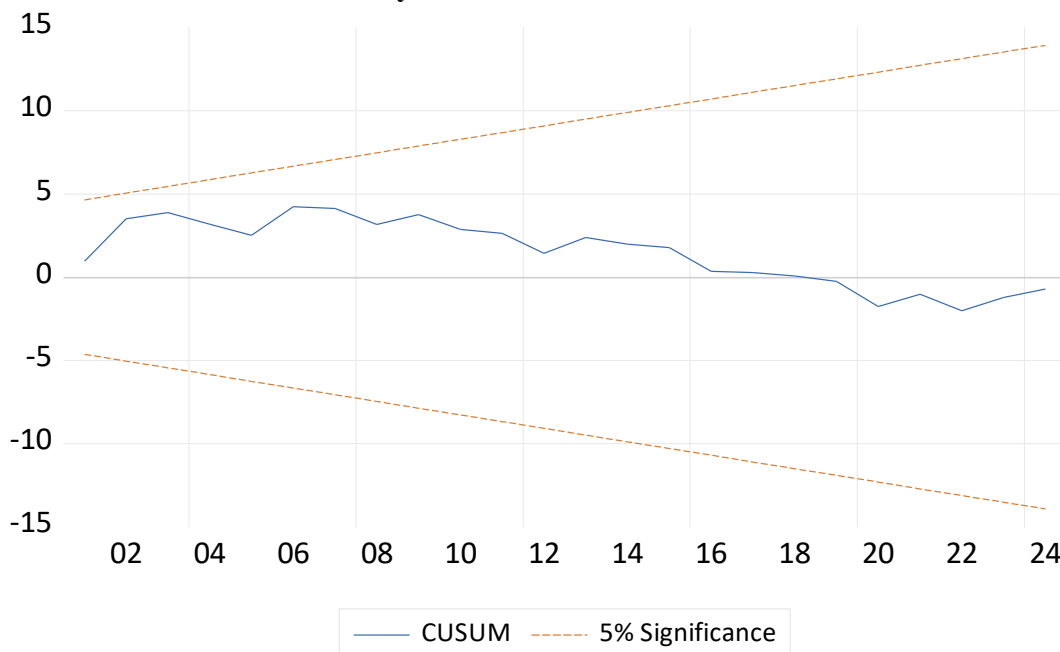
The R-squared value is 0.551549, indicating that approximately 55.15% of the variations in changes in economic growth (DLOG(RGDP)) are jointly explained by the explanatory variables and their included dynamics in the ECM model. The remaining 44.85% of the variation in economic growth is attributable to other factors not included in the model, random disturbances and other economic conditions affecting growth during the period under study.

The Durbin-Watson statistic is 2.213858. Since the value is close to 2, it suggests that there is no serious evidence of first-order serial correlation in the residuals of the estimated ECM. A Durbin-Watson value below 2 may indicate positive serial correlation, while a value substantially above 2 may indicate negative serial correlation. The obtained value of approximately 2.21 is reasonably close to 2 and therefore suggests that the residuals do not exhibit substantial first-order autocorrelation.

### Stability Test

The cumulative sum (CUSUM) test was employed to examine the stability of the estimated Error Correction Model (ECM) over the study period. The test assesses whether the regression coefficients remain stable over time. The result is presented in the figure below.

**Figure 1: CUSUM test for stability**



From the CUSUM graph, the CUSUM line (blue line) remains within the upper and lower 5% significance boundaries (dotted lines) throughout the period from 2001 to 2024. At no point does the CUSUM line cross either of the 5% critical boundaries. The CUSUM stability test confirms that the estimated ECM is stable over the study period because the CUSUM line remains within the 5% significance boundaries throughout the observation period. Thus, the model is considered structurally stable and suitable for interpreting the short-run and long-run relationships among the variables.

### Conclusions and Recommendations

This study examined the relationship between globalization and economic growth in Nigeria. The findings show that globalization has mixed effects on economic growth. Trade openness has a positive and significant effect on economic growth, indicating that greater integration into international trade contributes to economic performance. Foreign direct

investment also has a positive and significant effect, suggesting that FDI supports economic growth through increased investment and productive activities.

Exchange rate has a negative but insignificant effect on economic growth at the 5% level. This implies that exchange rate changes did not have a statistically significant current effect on economic growth during the period studied. Information and communication technology has a negative and significant effect, indicating that the expansion of ICT, as measured in the study, did not translate into improved economic growth during the period. Based on the empirical results, the following recommendations were made for policy formulations

- i. Government should promote trade policies that encourage exports, domestic production and greater participation in international markets.
- ii. Government should create a favourable investment environment to attract FDI that supports employment, technology transfer and productive activities.
- iii. Monetary authorities should pursue policies that promote exchange rate stability and reduce excessive exchange rate volatility.
- iv. Government should improve ICT infrastructure, affordability and digital skills to ensure that ICT contributes more effectively to economic productivity and growth.

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