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Original Article

Globalization and Economic Development in Africa: The Case of Nigeria

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Abstract *- The paper examined the impacts of globalization on economic development in Africa with a specific reference to Nigeria for the period 1975 - 2021. Globalization gained momentum across the globe in the 1970s, and in Nigeria, its manifestations became more glaring during the 1980s, particularly with the adoption of the Structural Adjustment Programme (SAP) IN 1986. This justifies the start period of this study. The data for globalization were retrieved from the Swiss Economic Institute, and the data shows various categories of globalization, which are economic, cultural, informational, interpersonal, political, social and trade globalization. Four categories of globalization were selected and utilized for this study, which include: Economic, Social, Political and Trade globalization. The data for economic development was sourced from World Development Indicators as well as other control variables. The data were subjected to a unit root test, and the results show that all the variables are stationary at the first difference. An Autoregressive Distributed Lags (ARDL) was used to empirically examine the long-run relationship between dependent and independent variables. The ARDL bounds test results show the existence of long run relationship between the variables. The bounds test results specifically show that economic, social, trade and political globalization have a long-run relationship with economic development in Nigeria. However, the results for all four measures of globalization are not significant in explaining economic development for the period under study in the case of Nigeria, except for expenditure on capital, which is significant in the short run. The findings, therefore, reveal that despite the penetration of globalization across the globe since the 1970s, its impact in promoting socioeconomic development has not been significant. The findings suggest that the government should look inward by harnessing domestic potentials such as agriculture and solid minerals in its quest to develop the country.*

Keywords *- Globalization, Economic Development, Nigeria, Structural Adjustment Programme, Autoregressive Distributed Lags.*

1. Introduction

Economic literature is divided on the role of globalization in promoting development across the globe. Despite its aim to connect different parts of the world, some regions of the world have benefited more than others. According to a report by the United Nations Conference on Trade and Development in 2015, globalization policies are much more advantageous for countries in North America, Europe, and some parts of Asia than they are for African nations, whose economic, political, and social development has been stifled by some of these policies, making it impossible for them to benefit from globalization.

The wave of globalization has increased in recent years because of rapid advancements in communication and transportation. Advances in communication enable businesses to identify opportunities for investment. At the same time, innovations in information technology enable immediate communication and the rapid transfer of financial assets across national borders. Also, improvement in fiscal and monetary policies within countries and international trade agreements between countries, facilitated by regional trade blocs and the World Trade Organisation (WTO), has further deepened the impact of globalization on economic growth and development. Political and economic instability of many African countries is cited by experts as one of the reasons why Africa has not benefited from globalization as much as countries in Asia and Latin America.

Nigeria, as part of the countries in Africa have keyed into ideas of globalization from the days of the structural adjustment programme in the 1980s and till date, reforms are being carried out to promote the ideals of globalization, but the country has remained poor. There have been attempts by scholars to examine the impact of globalization on economic development. Recent literature on globalization and economic

development is scarce, with only the study by Baiyegunhi et al. (2024), which examined the impact of technological globalization on unemployment in Nigeria, and Adamu et al. (2017), who investigated the effects of globalization on unemployment in Sub-Saharan African countries. This study fills a gap in this area. Other studies, such as Olusi and Folurunsho (2008), presented a theoretical perspective on the relationship between globalization and economic development in Nigeria. This study fills the gap in the literature in the following areas. A disaggregated type of globalization was used (Economic, Social, Political, and Trade globalization) as against a lump sum globalization. A country-specific study was used against a panel study, which is prominent in economic literature. Therefore, the research question for this study is: do the various types of globalization have an impact on economic development differently? The objective is to examine the impact of the various types of globalization on economic development in Nigeria from 1986 to 2022.

2. Literature Review

In Nigeria, the concept of globalisation is not new. It has always existed and has been incorporated into the majority of the country's frameworks. Economic globalization refers to the growing interdependence of world economies because of the increasing scale of cross-border trade in commodities and services, the flow of international capital, and the wide and rapid spread of technologies.

2.1. Conceptual Literature

2.1.1. Concept of Globalization

The concept of globalization features economic, social, and political aspects, with the economic dimension fostering world markets, capital mobility, and competition among producers. Political globalization involves coalitions influencing authority and diplomacy, while socio-cultural changes reflect lived experiences in interconnected societies. These dimensions shape development by enabling resource allocation based on comparative advantages and economies of scale.

2.1.2. Economic Development

Economic development refers to the process of improving the economic, social, and institutional well-being of a population, going beyond mere growth in GDP to include structural changes, poverty reduction, and enhanced quality of life. It involves sustained increases in per capita income, equitable wealth distribution, and advancements in human capabilities like health and education. This concept distinguishes itself from economic growth, which focuses primarily on output expansion, by emphasizing broader societal progress.

2.2. Theoretical Literature

Theories linking globalization to economic development explore how economic integration influences growth, inequality, and structural transformation. They range from optimistic neoliberal views to critical dependency perspectives. These frameworks draw from economics, sociology, and political economy.

2.2.1. Neoliberal Theory

Neoliberalism argues that globalization accelerates development by promoting free markets, trade liberalization, and foreign direct investment, which enhance efficiency, innovation, and comparative advantages. It posits that reduced barriers lead to capital flows, technology transfers, and higher GDP growth, as supported by endogenous growth models emphasizing knowledge spillovers.

2.2.2. Dependency Theory

Dependency theory contends that globalization hinders development in peripheral economies by locking them into exporting raw materials at unfavorable terms of trade, benefiting core nations through exploitation and capital outflows. Multinationals reinforce this dependency, preventing industrialization and perpetuating poverty cycles.

2.2.3. World-Systems Theory

World-systems theory views the global economy as a hierarchical structure with core, semi-peripheral, and peripheral zones, where globalization sustains unequal exchange and labor division. Development occurs unevenly, with semi-peripheries advancing modestly while peripheries stagnate under core dominance.

2.2.4. Growth Theory

Endogenous growth theory highlights human capital and openness, amplifying productivity gains from globalization. The compensation hypothesis suggests social safety nets mitigate risks like job losses, while the efficiency hypothesis stresses competition driving progress. Outcomes vary by policy and context.

In theory, the nexus between globalization and economic growth and development has not been settled. While the classical school predicts a growth-enhancing effect from trade liberalization, recent postulations suggest several ingredients for a positive trade-growth nexus. More specifically, the theoretical literature has depended on globalization in relation to trade and how it can contribute to economic growth, in that an increase in international trade facilitates the diffusion of knowledge and technology from direct imports of high-tech goods (Almeida and Fernandes 2008; Baldwin, Braconier, and Forslid 2005; Barro and Sala-i-Martin 1997). International trade facilitates stronger integration between countries, with the sources of innovation and greater gains from foreign direct investment.

2.3. Empirical Literature

The opponents of this view see globalization as the cause of growing poverty and inequality in the world. Some other

authors are indifferent to how unbridled globalization could wreak havoc on some while simultaneously opening the doors of opportunity to others across regions in the world. According to their findings, developing economies that integrate with the rest of the world tend to grow rapidly, and indeed, the poor within these societies are among the key beneficiaries of globalization. The review of the different waves of globalization, however, raises important issues that will influence the extent to which poor countries will be able to deepen their integration with rich ones and to which poor people will share in the benefits. The impact of globalization on the poor in India in the agriculture sector has been a disaster.

The study concluded that what is being done in the name of globalization to the poor is "brutal and unforgivable. The benefits of globalization have not been distributed evenly. Disparities have grown between affluent and poor countries, as well as within many countries. More than half of the world's 6.6 billion people still live in poverty today despite the penetration of globalization across regions of the world. Growing unemployment and underemployment in Africa can be ascribed to the global logic of competitive profit-making management strategies like downsizing, atomization, and pervasive automation (Ukpere and Slabbert 2007). Furthermore, the positive aspect of an automation boom, which has created new jobs in the Information Technology (IT) industry and is intended to enable low-cost access to information superhighways, has been overshadowed by massive job destruction and loss in other sectors of the economy. Dollar (1992) and Rodrik (1992) view globalization as not inevitable. They posited that growing integration is quite controversial (witness the anti-globalization demonstrators determined to prevent trade agreements and other forms of international cooperation).

In recent times, the role of globalization on poverty and economic development has been discussed extensively in economic literature. Some authors believe that globalization brings a real chance of prosperity to the impoverished corners of the world. Dollar (1992), and Dollar and Kraay (2004) concluded that globalization removes all restrictions to all international economic business and allows for the wealth of the rich to be shared with the poorer countries. More specifically, Dollar and Kraay (2004) believe that globalization has generally supported poverty reduction across the globe through the improvement of economic growth.

3. Data and Methods

The data used in this study were obtained from two sources. The time covered for this study is 1975-2021. The choice of the study period was based on the introduction of traits of globalization into the Nigeria economy in the 1970s through the structural adjustment programme. Data on globalization were retrieved from the KOF globalization index, Dreher et al. (2008), while the data on other variables were sourced from the World Development Indicators of the World Bank.

The model of this study is hinged on the neoclassical growth model, which claims that capital accumulation in an economy, and how people make use of it, is important for determining economic growth and development. The general form of the model is presented thus:

$$Y = AF(K, L) \quad (1)$$

Where:

- Y – Income, or the economy's Gross Domestic Product (GDP)
- K – Capital
- L – Amount of unskilled labor in the economy
- A – Determinant level of technology

However, the dynamic relationship between labour and technology has led to the augmentation of the model as:

$$Y = F(K, AL) \quad (2)$$

This states that technology is labour-augmenting and that workers' productivity depends on the level of technology that comes into the country through globalization.

Therefore, the model used in this study is presented as:

$$GDPC = f(POP, CAP, EG, TG, SG, PO) \quad (3)$$

Where:

- GDPC- Gross Domestic Product Per Capita
- POP- Total Population
- CAP - Capital stock at current PPPs (in mil. 2017US$)
- EG – Economic Globalization
- TG – Trade Globalization
- SG – Social Globalization
- PO – Political Globalization

In an econometric form, the model is presented as:

$$GDPC_t = \alpha_0 + \alpha_1 POP_t + \alpha_2 CAP_t + \alpha_3 EG_t + \alpha_4 TG_t + \alpha_5 SG_t + \alpha_6 PG_t + \varepsilon_t \quad (4)$$

All variables are in log form so as to present and interpret the results in the form of elasticities.

To estimate the data, the Autoregressive Distributed Lags (ARDL) technique as proposed by Pesaran, Shin and Smith (2001) was adopted. This method was chosen because it captures the dynamic nature of economic variables, which is neglected in static models. The ARDL model for this study is shown as follows:

$$\Delta GDPC_t = \beta_0 + \sum_{\dot{\iota}=1}^{P} \beta_1 \Delta GDPC_{t-1} + \sum_{\dot{\iota}=0}^{q} \beta_2 \Delta POP_{t-1} + \sum_{\dot{\iota}=0}^{q} \beta_3 \Delta CAP_{t-1} + \sum_{\dot{\iota}=0}^{q} \beta_4 \Delta EG_{t-1} + \sum_{\dot{\iota}=0}^{q} \beta_5 \Delta TG_{t-1} + \sum_{\dot{\iota}=0}^{q} \beta_6 \Delta SG_{t-1} + \sum_{\dot{\iota}=0}^{q} \beta_7 \Delta PG_{t-1} + \lambda_1 GDPC_{t-1} + \lambda_2 POP_{t-1} + \lambda_3 CAP_{t-1} + \lambda_4 EG_{t-1} + \lambda_5 TG_{t-1} + \lambda_6 SG_{t-1} + \lambda_7 PG_{t-1} + \varepsilon_{it} \quad (5)$$

Where:
Δ=first difference of the variable, t=time, t-1=lag one (previous period), β_0= constant, Σ=summation,$\beta_1 - \beta_7$ and $\lambda_1 - \lambda_7$= Coefficients of the variables

The hypothesis of the ARDL bounds test for cointegration among variables is presented as:

$$H_0 = \lambda_1 = \lambda_2 = \lambda_3 = \lambda_4 = \lambda_5 = \lambda_6 = \lambda_7$$

$$H_A = \lambda_1 \neq \lambda_2 \neq \lambda_3 \neq \lambda_4 \neq \lambda_5 \neq \lambda_6 \neq \lambda_7$$

The Autoregressive Distributed Lag (ARDL) bounds test to the cointegration model, and the Error Correction model are used in this study to detect the existence of an association between variables and estimate the model and ECM that investigates the speed of adjustment of the model in the short run as well as the long run impacts.

4. Results and Discussion

The discussion of the results of this study commenced by explaining the descriptive statistics of each variable used in the study, followed by the correlation analysis, which shows the one-to-one relationship between the variables.

Table 1. Augmented Dickey Fuller Test

	Level			1st difference		
Variable	**Constant**	**Constant with Trend**		**Constant**	**Constant with Trend**	**Decision**
LGDPC	-1.096	-2.465		-2.969**	-3.347*	I(1)
LPOP	-2.460	-1.941		-2.887*	-3.326*	I(1)
LCAP	-2.640	-3.055*		-2.417	-2.734	I(1)
LEG	-2.039	-2.608		-7.005**	-6.936***	I(1)
LPG	-0.875	-2.026		-2.795*	-2.739	I(1)
LSG	-0.464	-1.509		-5.055***	-5.009**	I(1)
LTG	-2.098	-2.347		-7.040***	-6.974***	I(1)

Note: ***,*** & * denote 1%, 5% & 10% level of significance respectively. The values are the t-statistic

The results in table 1 are the test of the augmented Dickey-Fuller unit root test. This test is necessary to void the estimation of data that contains trends beyond I (1). This is in line with Engle and Granger (1987). The results presented in table 1 confirm the existence of a trend at the level, but stationarity is attained at the first difference. This result establishes that the ARDL estimation technique can be used to estimate both the short-run and long-run coefficients.

Table 2. Correlation Test

	LGDPC	LPOP	LCAP	LEG	LTG	LSO	LPO
LGDPC	1						
LPOP	0.493	1					
LCAP	0.642	0.305	1				
LEG	0.193	0.682	-0.175	1			
LTG	0.552	0.351	-0.006	0.664	1		
LSO	0.794	0.849	0.698	0.434	0.404	1	
LPO	0.765	0.877	0.619	0.466	0.463	0.965	1

Table 2 presents the correlation results. These results became necessary to ascertain the strength of the relationship among the variables. The results show that social and political globalization have a strong correlation with GDP per capita, while trade globalization exhibits a moderate correlation. Economic globalization is weakly related to GDP per capita. Among the dependent variables, the results show that they are all within range and can be used for further estimation without fear of the problem of multicollinearity.

Table 3. ARDL Bounds Test to Cointegration

F-Bounds Test		Null Hypothesis: No levels relationship		
Test Statistic	Value	Signif.	I(0)	I(1)
			Asymptotic: n=1000	
F-statistic	4.478	10%	1.99	2.94
k		5%	2.27	3.28
		2.5%	2.55	3.61
		1%	2.88	3.99

The ARDL bounds test results show that long run relationship exists between the variables under consideration. This is because the F-statistic value of 4.48 is greater than the critical value at 1%, 2.5%, 5% and 10%. This is an indication that the variables co-exist in the long run.

Table 4. Long-run Estimates

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LPOP	-105.0631	1766.472	-0.059476	0.9533
LCAP	-43.05615	719.2701	-0.059861	0.9530
LEG	43.36425	741.1544	0.058509	0.9541
LPO	56.34249	946.4397	0.059531	0.9533
LSO	81.88558	1359.998	0.060210	0.9527
LTG	-92.37648	1551.580	-0.059537	0.9533
C	2153.624	36071.73	0.059704	0.9531

The long run estimates of this study are presented in table 4. From the results, the probability values from the four types of globalization are all greater that 5% level of significance. This is an indication that the impacts are not significant in explaining the level of economic development in the country. The findings of this study are in tandem with the opponents of globalization, who believe that globalization has done more harm to jobs (Baiyegunhi et al., 2024), and Ukpere & Slabbert (2007), made the people poorer. The short-run results show that capital investment has a significant impact on economic development. This is in line with the theory of development as confirmed by Solow (1956) and Swan (1956).

5. Conclusion and Recommendations

This study investigates the impacts of economic, social, political and trade globalization on economic development in Nigeria. This result shows that globalization does not have a significant impact on economic development. As suggested in economic theory, capital formation or investment is the only variable that has a significant impact on economic development, but in the short run.

This is clearly in line with the exogenous growth theory that confirms the limitations of capital investment in supporting long-term economic growth and development. Furthermore, the findings reveal that despite the penetration of globalization across the globe since the 1970s, its impact in promoting socioeconomic development has not been significant. The findings suggest that the government should look inward by harnessing domestic potentials such as agriculture and solid minerals in its quest to develop the country.

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Appendix

ARDL Long Run Form and Bounds Test
Dependent Variable: D(LGDPC)
Selected Model: ARDL (2, 3, 3, 3, 2, 4, 1)
Case 2: Restricted Constant and No Trend
Date: 01/17/25 Time: 10:16
Sample: 1975 2021
Included observations: 41

Conditional Error Correction Regression

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-19.43308	5.265485	-3.690654	0.0020
LGDPC(-1)*	0.009024	0.151751	0.059463	0.9533
LPOP(-1)	0.948030	0.288626	3.284634	0.0047
LCAP(-1)	0.388514	0.094059	4.130530	0.0008
LEG(-1)	-0.391294	0.334839	-1.168603	0.2597
LTG(-1)	0.833553	0.257533	3.236677	0.0052
LSO(-1)	-0.738889	0.265287	-2.785245	0.0132
LPO(-1)	-0.508403	0.133695	-3.802699	0.0016
D(LGDPC(-1))	-0.227472	0.162922	-1.396200	0.1817
D(LPOP)	13.03877	13.57788	0.960295	0.3512
D(LPOP(-1))	-54.16473	16.15590	-3.352629	0.0040
D(LPOP(-2))	-16.16147	15.11739	-1.069065	0.3009
D(LCAP)	0.391855	0.144019	2.720864	0.0151
D(LCAP(-1))	-0.477941	0.211407	-2.260759	0.0381
D(LCAP(-2))	-0.204517	0.141574	-1.444590	0.1679
D(LEG)	-0.089501	0.205041	-0.436501	0.6683

D(LEG(-1))	-0.408924	0.177370	-2.305478	0.0349
D(LEG(-2))	-0.413191	0.149435	-2.765027	0.0138
D(LTG)	0.056360	0.131904	0.427283	0.6749
D(LTG(-1))	-0.267623	0.173527	-1.542254	0.1426
D(LSO)	-0.016599	0.145670	-0.113948	0.9107
D(LSO(-1))	0.579310	0.222991	2.597903	0.0194
D(LSO(-2))	0.379787	0.196183	1.935882	0.0708
D(LSO(-3))	0.489593	0.166045	2.948548	0.0094
D(LPO)	-0.135008	0.121561	-1.110620	0.2831

* p-value incompatible with t-Bounds distribution.

Levels Equation
Case 2: Restricted Constant and No Trend

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LPOP	-105.0631	1766.472	-0.059476	0.9533
LCAP	-43.05614	719.2701	-0.059861	0.9530
LEG	43.36424	741.1543	0.058509	0.9541
LTG	-92.37648	1551.580	-0.059537	0.9533
LSO	81.88558	1359.998	0.060210	0.9527
LPO	56.34249	946.4397	0.059531	0.9533
C	2153.624	36071.73	0.059704	0.9531

EC = LGDPC - (-105.0631*LPOP -43.0561*LCAP + 43.3642*LEG -92.3765 *LTG + 81.8856*LSO + 56.3425*LPO + 2153.6237)

F-Bounds Test — Null Hypothesis: No levels relationship

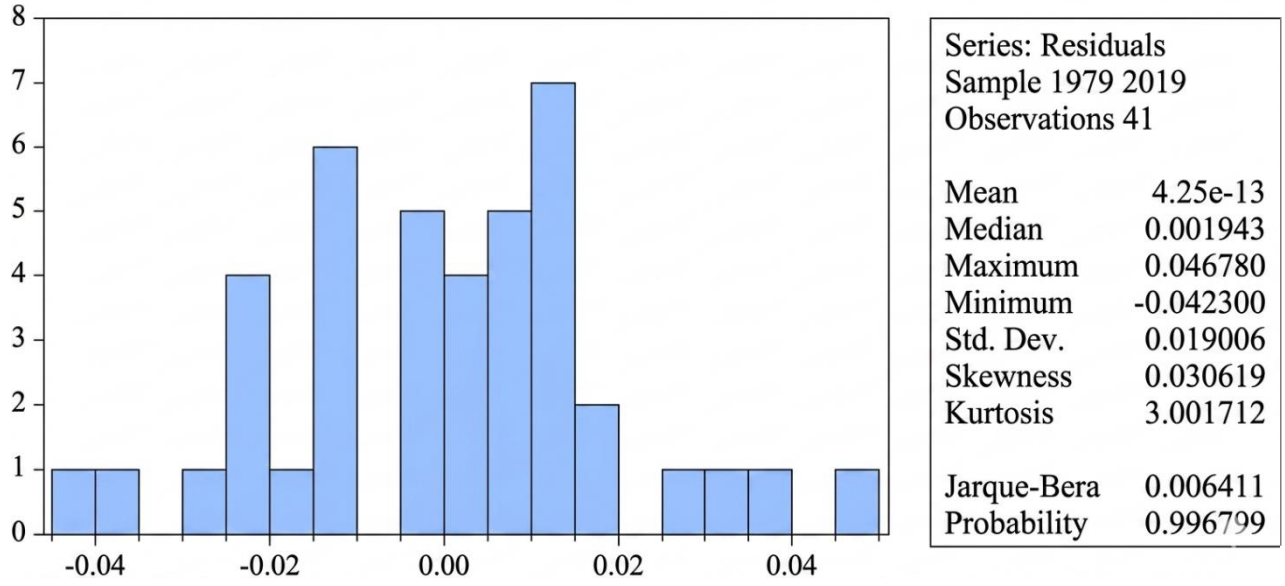
Test Statistic	Value	Signif.	I(0)	I(1)
			Asymptotic: n=1000	
F-statistic	4.477429	10%	1.99	2.94
k	6	5%	2.27	3.28
		2.5%	2.55	3.61
		1%	2.88	3.99
			Finite Sample: n=45	
Actual Sample Size	41	10%	2.188	3.254
		5%	2.591	3.766
		1%	3.54	4.931
			Finite Sample: n=40	
		10%	2.218	3.314
		5%	2.618	3.863
		1%	3.505	5.121

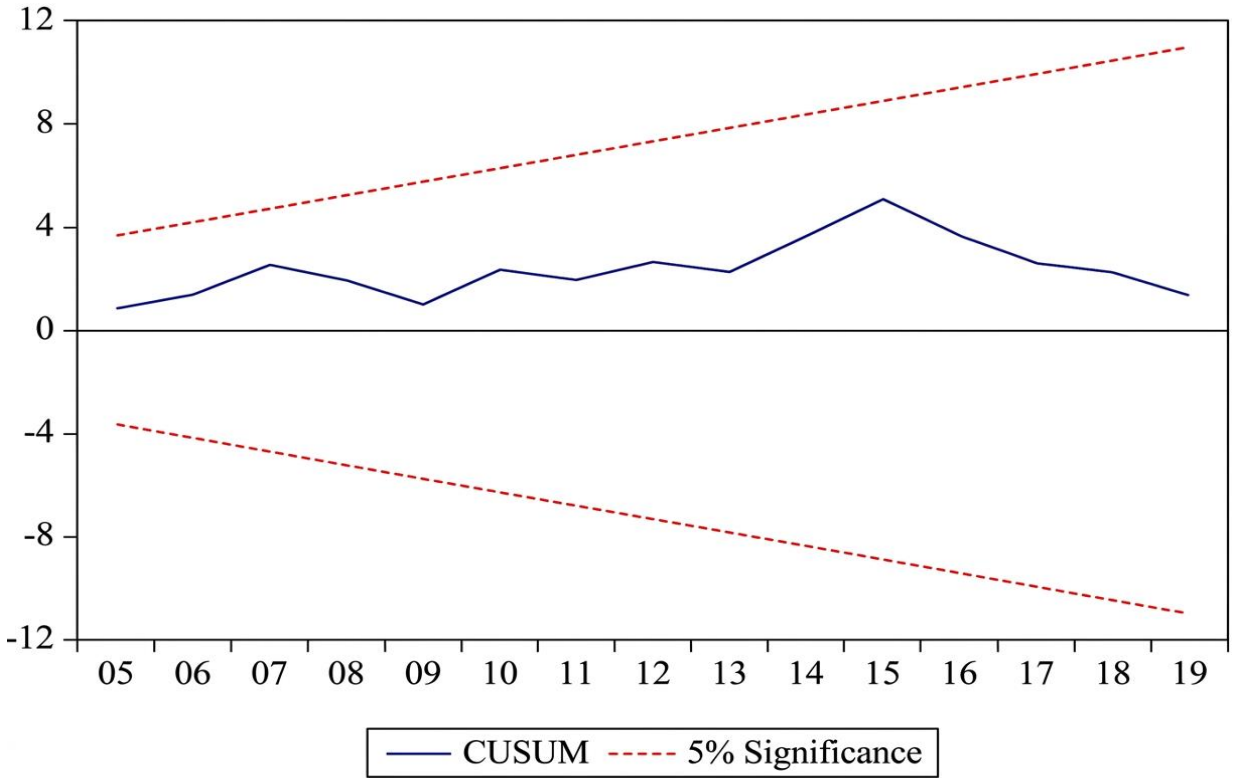
Heteroskedasticity Test: Breusch-Pagan-Godfrey

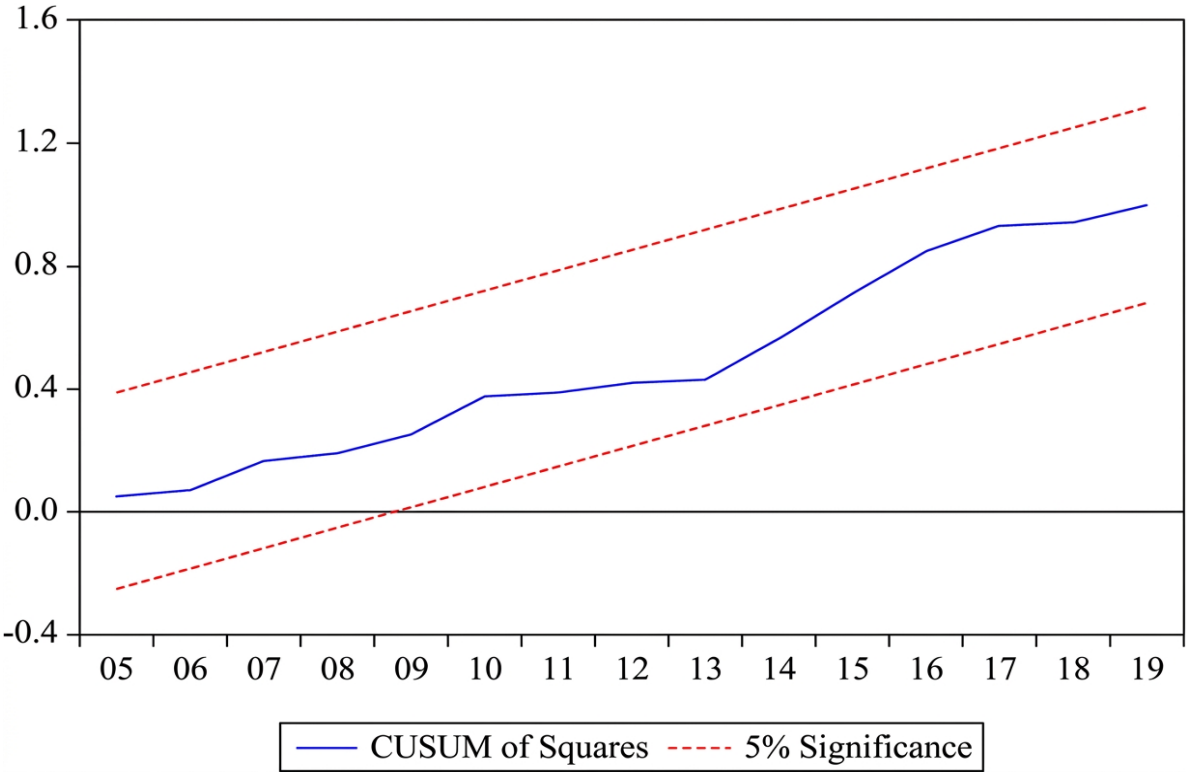
F-statistic	1.132702	Prob. F(24,16)	0.4061
Obs*R-squared	25.80948	Prob. Chi-Square(24)	0.3629
Scaled explained SS	3.933899	Prob. Chi-Square(24)	1.0000

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	0.749222	Prob. F(2,14)	0.4908
Obs*R-squared	3.964024	Prob. Chi-Square(2)	0.1378






1.6
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-0.4
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CUSUM of Squares
5% Significance