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Effect of Globalization on Economic Development: The Nigerian Perspective

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Abstract

The study is an empirical investigation of the effect of globalisation on economic development in Nigeria. This emanates from the problem that globalisation is a broad concept and mechanism with its strengths, weaknesses, opportunities, and threats. The objectives of the study were to determine the effect of the globalisation index, capital inflows, the volatility index, and the exchange rate on gross domestic product per capita in Nigeria. Being empirical research with historical data, the ex post facto research design was used with data spanning from 1986 to 2022. On this basis, the Autoregressive Distributed Lag (ARDL) approach was adopted since the unit root test results showed that the data were of mixed integration. The ARDL bounds test for cointegration revealed evidence of long-run relationships across the models developed for the study. The long-run estimates showed that globalisation had a positive and significant effect on GDP per capita. The study concluded that globalisation enhanced GDP per capita in Nigeria. The recommendations were a robust and effective economic environment that would seize opportunities from the current globalisation wave to ensure improvements in the domestic industries to achieve the desired level of economic development in Nigeria.

Keywords: Globalisation; Capital Flows, Economic Development; GDP

Introduction

Globalisation seems to have turned into a whirlwind blowing through the world due to heightened information and communication technology (ICT), thereby encouraging more interactions as it shrinks the geographical borders or boundaries of all countries into a global village. This has been one of the cardinal points of discussion in recent times, as various countries of the world interrelate, interface, and interconnect with each other in various forms such as trade, technology, and politics, among others. Globalisation is a multidimensional concept with various important facets that involve economic, financial, technological, social, and political processes, which bring transformation to the global economy, society, and polity (Osu, 2020). Globalisation facilitates the spread of knowledge, intensive production technologies, the elimination of barriers for goods and services, and the removal of restrictions for capital movement across countries (Odili & Onyele, 2020).

Globalisation is referred to as the process that involves the integration of goods and financial markets in global trade (Onyele & Ikwuagwu, 2020). It creates the platform for establishing networks of connections among actors at multi- or inter-continental distances, facilitated through various flows, including people, ideas and information, capital, and goods (Gygli, Haelg, Potrafke & Sturm, 2019). However, globalisation has been criticized, however, by antagonists because it is a deliberate effort by the Western world to enforce their economic policies on less developed countries for selfish reasons. It is viewed as another move for colonialism that does not facilitate self-reliance, self-determination, and indigenisation. According to Piven (2012), there is a dearth of convincing benefits to most developing nations from participating in global economic, political, religious, and social activities notwithstanding the well-pronounced claims of huge capital inflows. For instance, losses through uncontrolled capital outflows are linked to many developing countries as a result of rapid globalisation, resulting in increasing inequality of wealth and opportunities which questions the promise of globalisation that 'everyone stands to gain something from it.'

In Nigeria, globalisation became popular in 1986 through the adoption of the Structural Adjustment Programme (SAP), which led to the

liberalisation of the financial system, as evident in the deregulation of the banking system, financial markets, and interest rates (Mbiankeu, 2019). Unfortunately, an examination of the SAP program reveals that it has been unsuccessful since it has not yielded the expected results in economic development. This shows that the globalisation processes entail significant risks and enormous social and economic costs. Integration with global markets has made the Nigerian financial market susceptible to greater fluctuations, with its severity increasing in the recent years due to weak financial systems and economic policies lacking credibility. To support this claim, Figure 1 presents the unstable trend of key macroeconomic variables since the inception of SAP, it shows that inflation has been rising more rapidly than GDP.

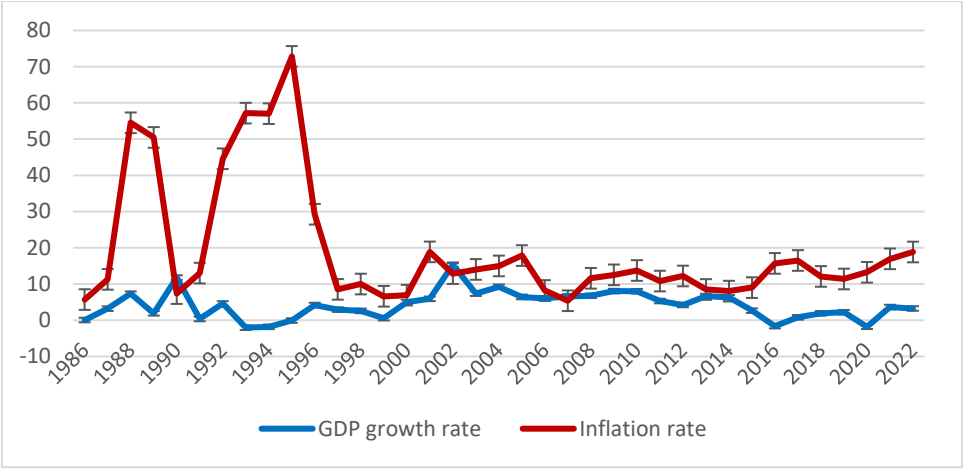

Figure 1: GDP growth rate and inflation rate

Nigeria has its economy opened in competition with many developed countries in the international market but is yet to attract any meaningful benefit, especially in recent years due to weak economic activities occasioned by insecurity and unstable macroeconomic conditions (Onyele, Ikwuagwu & Ibe, 2025). As such, globalisation has left Nigeria at the mercy of developed countries in terms of economic advancement, thereby causing massive migration of people and investors from Nigeria to overseas for greener pastures, which has automatically led to loss of domestic resources, brain drain, low human capital development, unemployment, poverty, and poor developmental levels.

Hence, Nigeria needs to rethink and review its global philosophies about globalisation in order to have a clearer perspective about it.

Empirically, the argument as to the effect of globalisation on economic development in Nigeria is far from being settled. Different conflicting viewpoints prevail regarding the resulting benefits of globalisation and its resultant effects on the economic development of Nigeria. In this light, Imandojemu, Akinlosotu and Aina (2021) concluded that globalisation does enhance economic development in Nigeria through foreign direct investments and trade only when the exchange rate is stable. Musibau, Adenekan and Shittu (2021) observed a time-varying effect of globalisation, but FDI was insignificant and negative in affecting economic growth due to energy insecurity. Odo, Agbo and Agbaji (2020) found that though globalisation enhances economic production, Nigeria has received little benefit due to a weak technical base, an unhealthy macroeconomic environment, and a poorly diversified economy. Nwofia and Aworinde (2020) found an asymmetric effect of globalisation on the economic prosperity of Nigeria. Osu (2020) observed that globalisation yields its benefit on economic growth through official development assistance. The need, therefore, arises to evaluate the extent to which globalisation does affect the economic development of Nigeria.

Literature Review

Conceptual Framework

The influences of globalisation on economic development are seen through cross-border resource or capital mobilisation (Hasan, 2019). Georgantzas, Katsamakas and Solowiej (2009) stated that globalisation can surge efficiency in resource distribution by providing the maximum return on the world scale from every possible production factor through global factorial flows. In line with Georgantzas, Katsamakas and Solowiej (2009), these processes can be explained by the cycle of globalisation given in Figure 2:

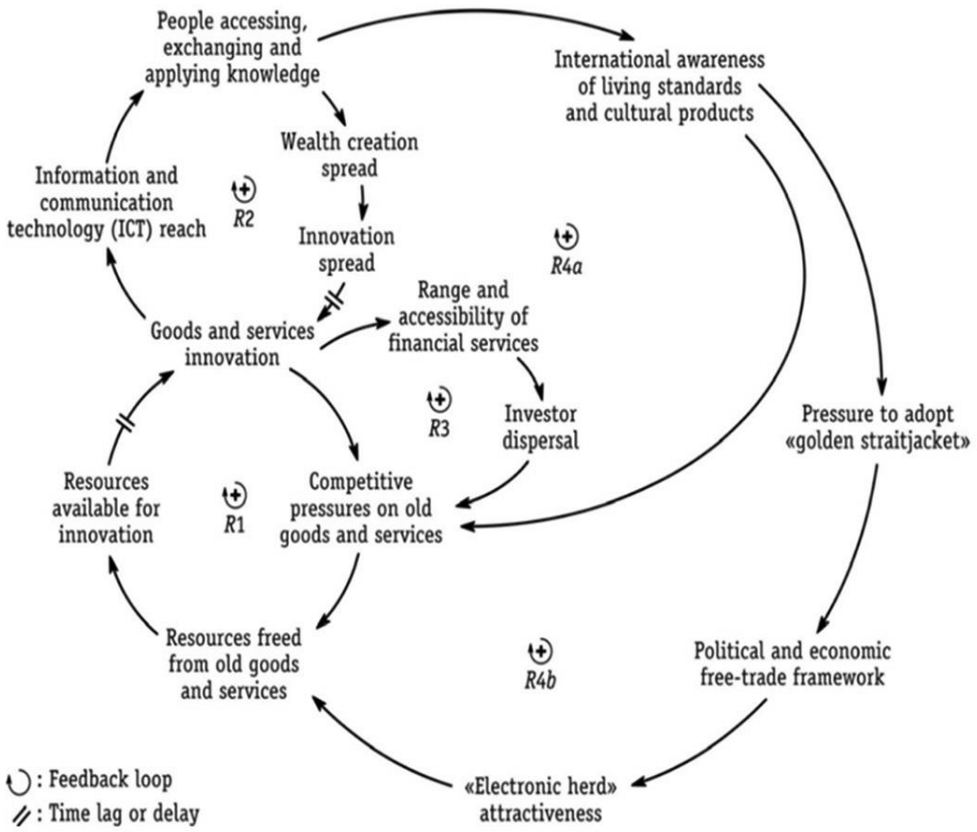

Figure 2: Globalization cycle

The globalisation cycle starts with economic innovations. Innovations in goods and services influence old goods and services (R1), ICT (R2), and the proximity and accessibility of financial services (R3). Innovations in goods and services avail resources for innovation by eliminating old goods and services and creating competitive pressures on the old goods and services. These resources can propel innovations in goods and services (R1). Also, innovations in goods and services create access to ICT. Thus, information, the exchange of information, and information usage are accessed by a large number of people. Additionally, innovations in goods and services can encourage geographical and welfare-spread innovation and, in the long run, lead to novel innovations in goods and services. Finally, innovations in goods and services can increase accessibility and financial services scope (R3). The geographical spread of information entails increasing global awareness of living

standards and cultural products, creating competitive pressure on older products (R4a). However, international standards of living and global awareness of cultural products can propel nation-states to "a golden straitjacket. Thus, it encourages a free trade framework and triggers more "electronic market attractiveness." In this way, global investors provide capital resources to resources saved from old goods and services (R4b).

Measurement of Globalisation

To examine and understand the consequences and components of globalisation in detail, one needs to measure globalisation. Single indicators, usually reflecting openness, like the trade-to-GDP ratio, are often used as a measure of globalisation. However, globalisation is multifaceted and encompasses much more than trade openness and capital flows. Also, it incorporates residents of varying countries exchanging information and ideas or the cooperation of governments to put an end to global political problems. Consequently, the manifold levels of globalisation need to be accounted for. Composite measures, like the globalisation index, are recently preferred because they allow for the combination of different variables; that is, they capture different facets of globalisation into one index. The globalisation index was insinuated by Dreher (2006) and modernised in Dreher, Gaston and Mertens (2008), which proxied globalisation along the social, economic, and political dimensions for countries since the 1970s. It has become the most popular index used to measure globalisation in the academic literature.

Empirical Literature

Neagu and Dima (2017) analyzed the association between globalisation and economic growth in Romania. Data from WDI were used in an econometric model to show the impact of overall globalization index on the GDP growth rate. A statistically significant and positive linkage was found between GDP per capita and overall globalisation index as well as between GDP growth, political globalisation and economic globalisation, while social globalisation hindered economic growth. Ewubare and Promise-Keje (2018) determined the effect of gobalisation, economic restrictions and trade intensity on real GDP in Nigeria between 1981 and 2015. A combination of OLS and ECM was relied upon for the empirical

analysis of the time series. There was a negative effect of globalization in the short run which was traced to weak institutions and structural rigidities in Nigeria. Kılıçarslan and Dumrul (2018) conducted an examination of the ramifications of globalisation on economic growth within the Turkish context, encompassing the timeframe from 1980 to 2015. The outcomes derived from the Fully Modified Ordinary Least Squares (FMOLS) cointegration test indicated that economic growth was a catalyst for the augmentation of social and economic globalisation in Turkey. It was observed that the influence of economic globalisation on GDP was both negative and statistically insignificant. The social dimension contributed positively to GDP. Furthermore, the political dimension of globalisation exerted a negative influence on GDP.

Mbiankeu (2019) assessed the correlation between economic globalisation and economic growth. Utilising data from the CEMAC region for the period spanning from 1970 to 2015, the analysis was executed through panel data regressions. The findings indicated that globalisation exerted a positive influence on economic growth within the CEMAC. Didžgalvytė-Bujauskė, Pereira and Osteikaitė (2019) evaluated the effects of globalisation on the economic growth of developing nations. The analysis was conducted utilising a two-step system Generalised Method of Moments (GMM) model. The results substantiated that overall globalisation adversely affected GDP while the economic dimension of globalisation initially had a negative impact but eventually manifested a positive effect on economic growth in the long term. Through the execution of a second-generation panel analysis, Ulucak (2019) investigated the manner in which globalisation affects the economic growth of emerging economies. Utilising annual data from 1970 to 2014. The results revealed that the overall globalisation index, along with the economic and social dimensions, served as growth-enhancing factors for emerging economies, whereas the political dimension negatively impacted the GDP growth rate. Hasan (2019) examined the degree to which globalisation influences economic growth in South Asian countries from 1971 to 2014. The study employed the Pooled Mean Group (PMG) panel cointegration model. The results indicated that economic globalisation, political globalisation, and overall globalisation contributed

positively to GDP growth in the long term; however, both political and economic globalisation exhibited no significant effect in the short term.

Nwofia and Aworinde (2020) conducted a comprehensive investigation into the influence of globalisation on economic growth within the context of Nigeria, focusing on the temporal span of 1970 to 2017. The data were meticulously scrutinised utilising both descriptive and inferential methodologies, incorporating the time series frameworks of asymmetric cointegration. The findings of the study revealed that economic globalisation exerted a long-term asymmetric cointegrating impact on the economic growth of Nigeria. Osu (2020) was inspired to explore the correlation between globalisation and economic growth in Nigeria. The research encompassed the duration from 1980 to 2018. The study employed the log-linear form of OLS analysis. The results derived from the Error Correction Model (ECM) indicated that the rate of adjustment was 40 per cent. The study concluded that there should be an emphasis on official development assistance, given its significant effect on GDP. Imandojemu, Akinlosotu and Aina (2021) assessed the ramifications of FDI, exchange rates, external debt, and balance of payments on economic growth, as indicated by GDP per capita income. The OLS methodology was applied to scrutinise the functional interrelation between the dependent and independent variables. The results illustrated that exchange rates and the balance of trade exhibited a direct correlation with GDP per capita, whereas foreign debt demonstrated a negative association with GDP per capita.

Employing a quantile-on-quantile approach to regression analysis on data pertaining to Nigeria from 1980 to 2017, Musibau, Adenekan and Shittu (2021) explored the effects of FDI, energy security, and globalisation on economic production. Globalisation was found to enhance GDP across all quantiles; however, its significance was only evident during the third quantile. Danladi, Tunbosun, Falaye and James (2021) assessed the extent to which globalisation influences capital flows to Nigeria and Ghana over the period from 1981 to 2019. In the case of Nigeria, the results from the ECM indicated that globalisation had a negative correlation with capital inflows in the current period, while the relationship was positive and significant in the first lag. Conversely, in Ghana, the ECM results demonstrated that globalisation had a positive and

significant association with capital inflows in both the current period and the first lag. Regarding the effect of globalisation on capital outflows, the error correction results revealed that globalisation had a positive and significant correlation with capital outflows in Nigeria in both the first lag and the current year. Yusuf and Lawal (2022) conducted a comprehensive examination of the correlation between globalization, economic growth, and income inequality in Nigeria for the years 1986 to 2019. The ARDL model was utilized to derive statistical and logical inferences. The findings indicated that globalization exerted a statistically significant adverse impact on Nigeria's economic growth. Baidoo, Teteh, Boateng, and Ayibor (2023) analysed the long-run and short-run repercussions of economic globalisation on Ghana's economic growth. They adopted the ARDL methodology for the analysis. The outcomes indicated that economic globalisation failed to foster economic growth. Specifically, a 1% escalation in economic globalisation reduced economic growth by 1.80% and 3.90% during the short-run and long-run periods, respectively, at a 1% significance threshold. Jarigbe, Oladipo, and Yusuf (2024) investigated the ramifications of globalisation on the economic growth of Nigeria from 1981 to 2021. The study employed ARDL modelling techniques. In the short term, variables such as exchange rates and interest rates exerted significant effects on GDP growth, exhibiting varying degrees of influence. However, FDI at present negatively influenced GDP growth in the short run. In contrast, in the long term, the degree of openness, exchange rate, and inflation positively contributed to GDP growth, while interest rates and FDI had a detrimental impact.

Gap in Empirical Literature

There exists a multitude of studies examining the influence of globalisation on the economic development of Nigeria. These studies predominantly focused on components of capital flows, including foreign direct investment (FDI), foreign portfolio investment (FPI), debt, and others, as their metrics for assessing globalisation (Jarigbe et al., 2024; Imandojemu et al., 2021; Musibau et al., 2021; Danladi et al., 2021). Conversely, only Nwofia and Aworinde (2020) and Ewubare and Promise-Keje (2018) applied the KOF overall globalisation index in their analyses of Nigeria. This observation indicates that the majority of Nigerian studies

did not incorporate the overall globalisation index. To address this gap, the present study has formulated a model that integrates the KOF overall globalisation index. It is further noted that none of the studies under consideration incorporated the volatility index, which serves to measure global risk aversion among international investors.

Methodology

Model Specification

This study adopted the econometric model of Neagu and Dima (2017) to explore the effect of globalization on the economic development of Nigeria. The model was stated, thus;

$$GDPPC_t = \beta_0 + \beta_1 GI_t + \mu_t \quad . \quad . \quad . \quad . \quad . \quad (1)$$

Where,
GDPPC = gross domestic product per capita
GI = overall globalization index

Building on equation (1), this study incorporated additional metrics of economic development, such as human capital development and poverty rates, thereby breaking the model into three distinct components. Furthermore, in addition to the independent variables, total capital flows, the volatility index, and exchange rates were included, as they represent significant elements of globalisation. Consequently, the models used in this study were defined as follows:

$$\log(GDPPC)_t = \beta_0 + \beta_1 \log(GLB)_t + \beta_2 \log(CPF)_t + \beta_3 \log(VIX)_t + \beta_4 \log(EXR)_t + \mu_t \quad . \quad . \quad . \quad . \quad . \quad . \quad (2)$$

Where,
GDPPC = gross domestic product per capita
GLB = globalization index
CPF = total capital inflows
VIX = volatility index
EXR = exchange rate
β_0 = constant
β_1 - β_4 = coefficients
μ_t = error term

Description of Model Variables

The selection of model variables was predicated on established theoretical relationships among them, their application in prior studies, and the availability of relevant data. These variables have been described as detailed in Table 1:

Table 1: Description of Variables

Variables	Description	Measurement	*A priori*
GDP per capita (GDPPC)	GDP per capita shows the pace of income growth per head of the population.	Dividing GDP by the population.	
Globalization index (GLB)	Globalisation is the process of integration among people, companies, and governments worldwide.	KOF ranking on a scale from 0 to 100.	+
Total capital inflows (CPF)	Capital inflows represent the net inward movement of financial resources.	Value of capital flows to Nigeria.	+
Volatility index (VIX)	The volatility index provides a measure of global market risk and investors' sentiments.	The prices of S&P 500 options on the Chicago Board Options Exchange.	-/+
Exchange rate (EXR)	Domestic currency *vis-à-vis* its reference currency as a discouraging factor.	Naira – Dollar rate	-

Source: Author's Computation, (2025)

Research Design and Data Sources

The research design employed in this study is *ex post facto* research. This is because the researcher has no intention to control any of the variables under investigation, and the predisposition is to observe occurrence from 1986 to 2022. Another justification for the research design is the desire of the researcher to use secondary data to analyse the relationship existing between the variables (dependent and independent) under consideration.

The data used for this study were secondary, comprising annual time series sourced from National Bureau of Statistics (NBS) annual

publications and World Development Indicators (WDI) of the World Bank's database.

Data Analysis Technique

The study applied the Autoregressive Distributed Lag (ARDL) bounds test approach for the study. If the variables are cointegrated, the long-run ARDL model was estimated, and also the speed of adjustment was found. In ARDL analysis, long-run and short-run coefficients are estimated simultaneously, and the model was developed and utilised for the cointegration test even if all the variables were not stationary after first differencing 1(1) or at level, i.e., 1(0). The ARDL model was used when the variables are of mixed integration at order one, 1(1), and at level, 1(0), but none is integrated at second differencing, 1(2) (Pesaran, Shin & Smith, 2001). The ARDL bounds testing specification of the models is expressed as:

$$\Delta Y_t = \delta_0 + \sum_{i=1}^{p} \delta_1 \Delta Y_{t-i} + \sum_{i=0}^{p} \delta_2 GLB_{t-i} + \sum_{i=0}^{p} \delta_3 CPF_{t-i} + \sum_{i=0}^{p} \delta_4 VIX_{t-i} + \sum_{i=0}^{p} \delta_5 EXR_{t-i} + \beta_1 GLB_{t-1} + \beta_2 CPF_{t-1} + \beta_3 VIX_{t-1} + \beta_4 EXR_{t-1} + \mu_t \quad (3)$$

After cointegration is established, the estimation of the long-run relationship is specified, thus:

$$\Delta Y_t = \delta_0 + \beta_1 Y_{t-1} + \beta_2 GLB_{t-1} + \beta_3 CPF_{t-1} + \beta_4 VIX_{t-1} + \beta_5 EXR_{t-1} + \mu_t \quad (4)$$

The short-run relationship was estimated using an error correction mechanism as depicted in equation 5:

$$\Delta GDPPC_t = \delta_0 + \sum_{i=1}^{p} \delta_1 \Delta GDPPC_{t-i} + \sum_{i=0}^{p} \delta_2 \Delta GLB_{t-i} + \sum_{i=0}^{p} \delta_3 \Delta CPF_{t-i} + \sum_{i=0}^{p} \delta_4 \Delta VIX_{t-i} + \sum_{i=0}^{p} \delta_5 \Delta EXR_{t-i} + \theta ecm_{t-i} + \mu_t \quad (5)$$

Where,

δ_0 = Constant

δ_1 - δ_5 = short-run elasticities (coefficients of the first-differenced explanatory variables)

β_1 - β_5 = long-run elasticites (coefficients of the explanatory variables)

θ = Speed of adjustment

ecm_{t-i} = Error correction term lagged for one period

Δ = First difference operator

p = Lag length

The θecm_{t-i} assessed the rapidness of adjustment of errors that occurred in a given period that was adjusted in the next period. A rule of thumb asserts that it should be negatively signed between 0 and 1, having a probability value that is less than 0.05.

Before ARDL estimation, the time series data was tested for stationarity. The test for stationarity of data was carried out with the Augmented Dickey-Fuller (ADF) unit root test. This particular stage was very necessary because most time series contain unit roots, and any regression involving non-stationary series almost always produces a significant relation where no relationship exists between the variables.

Results and Discussions

Test for Stationarity (Unit Root) of Data

A unit root test was carried out to ascertain if the time series variables were stationary or not. The unit root test approach used in this study was the Augmented Dickey-Fuller (ADF). The ADF approach was used because it controls for a higher-order serial relationship by including lagged values of the dependent variable. The outcome of the unit root test is presented in Table 2:

Table 2: Unit root test results

Variable	t-Statistic @ level	t-Statistic @ 1st diff.	Remark
Log(GDPPC)	-1.818656 (0.6735)	-4.534342 (0.0052)	I(1)
Log(GLB)	-1.244659 (0.8845)	-5.722735 (0.0002)	I(1)
Log(CPF)	-5.607212 (0.0004)	--	I(0)
Log(VIX)	-2.493102 (0.3293)	-4.450480 (0.0063)	I(1)
Log(EXR)	-2.822428 (0.1995)	-6.163153 (0.0001)	I(1)

Source: Author's computations using EViews 10.0

Decision rule: Variables are said to be stationary when ADF t-statistics are above their critical values at either 1 per cent, 5 per cent, or both levels of significance. It is non-stationary when ADF t-statistics fall below the critical values at 1 per cent and 5 per cent levels of significance.

Table 2 shows that with the ADF test, the null hypothesis of unit root for all the variables cannot be rejected for all the variables except CPF. On the other hand, when the variables are expressed in the first difference, the null hypothesis of the unit root for all the variables can be rejected. With the variables being stationary at I(0) and I(1), the ARDL method becomes appropriate for the study since none of the variables was found to be stationary at the second difference, that is, I(2).

Bounds Test

Having established that the variables are of mixed integration at I(0) and I(1), the bound test approach to cointegration was applied to show the incidence of cointegration. Table 3 presents the results of the bounds test involving the three models. Gross domestic product per capita (GDPPC) is the dependent variable, while the independent variables are globalization index (GLB), total capital inflows (CPF), volatility index (VIX) and exchange rate (EXR). The *F*-statistics (4.805632) is greater than the upper critical values at 5% and 1% significance levels.

Table 3: Bounds test results

GDPPC = f(GLB, CPF, VIX and EXR)				
Test Statistic	**Value**	**Signif.**	**I(0)**	**I(1)**
F-statistic	4.805632	5%	2.56	3.49
K	4	1%	3.29	4.37

Source: Author's computations using EViews 10.0

Having established that the variables are cointegrated, the next step is to investigate the long- and short-run elasticities. Based on the Schwarz Information Criterion (SIC), the selected model for the bounds testing was ARDL (1, 1, 2, 1, 1). The long-run estimates are presented in Table 4:

Table 4: Long-run estimates

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOG(GLB)	0.253718	0.053320	4.758376	0.0001
LOG(CPF)	0.368597	0.091301	4.037174	0.0005
LOG(VIX)	0.165612	0.191481	0.864898	0.3953
LOG(EXR)	-0.392490	0.118489	-3.312452	0.0028
C	-2.170628	1.655396	-1.311244	0.2017

Source: Author's computations using EViews 10.0

The results reported in Table 4 show that GLB, CPF, and VIX have a positive effect on GDPPC, while the effect of EXR was found to be negative. The long-run positive coefficients of GLB, CPF, and VIX imply that GDDPC rose by approximately 25%, 37%, and 17% due to an increase in the globalisation index, capital inflows, and the volatility index, respectively. The negative coefficient of EXR indicates that an increase in the naira-dollar exchange rate led to a decrease of approximately 40% in GDPPC in the long run. This shows that an increase in globalisation is growth-enhancing in the long run alongside capital inflows, while exchange rates discourage economic development.

Error Correction Model (ECM)

The ECM and the short-run elasticities for hypothesis one have been presented in Table 5: The ECM (-1) outcome shows that the speed of adjustment is -0.418117. It is statistically significant given a probability value of 0.0000. This means the speed of adjustment from the short run to the long run is approximately 42%, which is quite moderate. The strong significance of the ECM connotes the existence of a short-run equilibrium relationship between GDPPC and the independent variables. The Durbin-Watson (DW) was 1.942399 (approximately 2), which means there was an absence of serial correlation or autocorrelation.

Table 5: Error correction model (ECM)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DLOG(GDPPC(-1))	-0.335536	0.130251	-2.576069	0.0190
DLOG(GLB)	0.011005	0.006478	1.698776	0.1066
DLOG(CPF)	0.032886	0.029694	1.107497	0.2786
DLOG(CPF(-1))	0.061285	0.031742	1.930755	0.0649
DLOG(VIX)	-0.023884	0.008272	-2.887326	0.0094
DLOG(EXR)	-0.071577	0.033616	-2.129254	0.0418
ECM(-1)	-0.418117	0.071081	-5.882223	0.0000
R-squared	0.606099			
Adjusted R-squared	0.579839			
Durbin-Watson stat	1.942399			

Diagnostic tests:	Prob.
Breusch-Godfrey Serial Correlation LM Test:	0.4439
Heteroskedasticity Test: Breusch-Pagan-Godfrey	0.8958

Jarque-Bera	0.4486

Source: Author's computations using EViews 10.0

Furthermore, the result of the coefficient of determination (R^2) shows that the explanatory variables explained a total variation of 58% in GDPPC. This implies that changes in GDPPC are a result of the collective presence of globalisation, capital inflows, global volatility, and exchange rates. Therefore, the result shows a good fit for the model.

GDPPC level in the previous year denoted by DLOG (GDPPC(-1)) has a negative and significant relationship with the current GDPPC status of Nigeria. The estimated coefficient of GLB and CPF shows that GDPPC increased as globalisation and capital inflows increased in the short run. Conversely, the negative estimated coefficients of VIX and EXR indicate that GDPPC decreased due to the increases in global volatility and exchange rate in the short run.

The outcomes derived from the diagnostic tests pertaining to the specifications of the ARDL model, as elucidated in Table 5, substantiate the reliability of the estimates, as they do not present any serious indications of serial correlation, heteroscedasticity, or deviations from normal distribution (Jarqu-Bera). Furthermore, the findings from the CUSUM and CUSUMSQ tests, as illustrated in Figures 3 and 4, affirm the stability of the estimated coefficients of the model and confirm that they reside within the critical boundaries at a 5% level of significance.

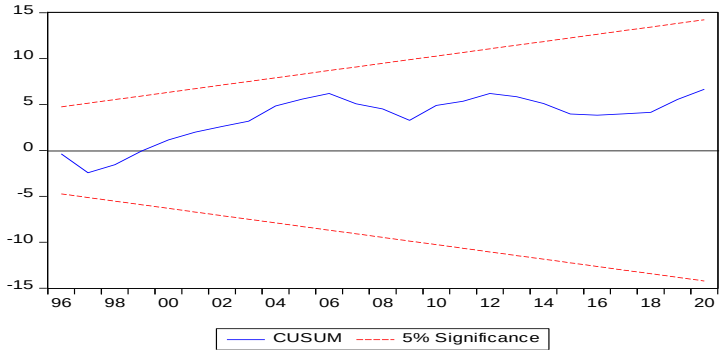

Figure 3: CUSUM

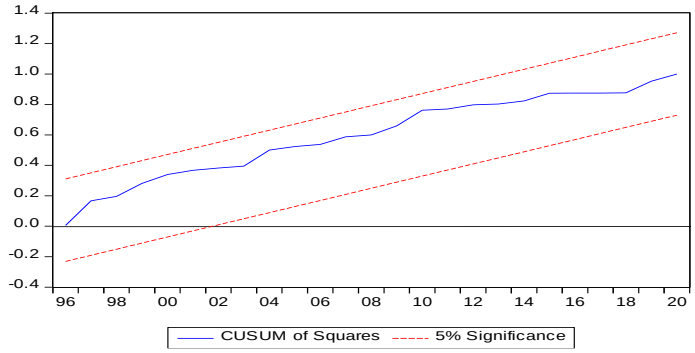

Figure 3: CUSUMSQ

Discussion of Findings

The results show that globalisation had a positive and significant effect on GDP per capita in the long run. This implies that, when measured by GDP per capita, economic development in Nigeria is strongly enhanced by globalisation. Hence, an increase in the level of globalisation enhanced income per head of the Nigerian population. This aligns with the modernisation and hyper-globalists' theory that for development to occur in a developing country, some conditions (such as technical advances, education of quality, and production efficiency) need to be met through globalisation. This finding aligns with prior empirical studies such as Musibau et al. (2021); Danladi et al. (2021); Nwofia and Aworinde (2020); Ulucak (2019); Hasan (2019); Neagu and Dima (2017), who found that globalisation enhanced economic growth and development. On the other hand, Didžgalvytė-Bujauskė et al. (2019); Ewubare and Promise-Keje (2018) found a negative effect of globalisation on economic development, while Kılıçarslan and Dumrul (2018) found that the effect of globalisation on economic development varies across countries (whether developed or developing) and the dimension of globalisation used but maintained that globalisation was more favourable to developed countries than developing countries.

Conclusion and Recommendations

This study contributes to the literature by analysing the effect of globalisation on economic development in Nigeria. The investigation focused on the effect of the globalisation index amidst capital inflows, the volatility index, and the exchange rate on GDP per capita. To achieve this,

empirical models were developed and estimated through the Autoregressive Distributed Lag (ARDL) framework. From the analysis, it was found that globalisation enhanced GDP per capita. These findings were made amidst the dynamics of the control variables such as capital inflows, volatility index, and exchange rate. The findings imply that globalisation has improved GDP per capita in the long run. The study, therefore, concluded that a buoyant and viable economy in Nigeria can be attained if globalisation is constantly used to enhance economic development.

Based on the findings, there is a need for the government to encourage globalisation by maintaining financial liberalisation policies to accelerate and sustain industrial growth and, in turn, accelerate domestic productivity. They should also monitor the movement of capital by way of creating well-secured borders across the country and strong and efficient customs officials.

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