



Globalization and economic development in Nigeria

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Abstract

This study investigates the impact of globalization on economic development in Nigeria over the period 1980 to 2024. Specifically, it examines how trade openness, foreign direct investment inflows, official exchange rate, real effective exchange rate, and inflation influence three core measures of economic development—real GDP per capita, life expectancy, and GDP growth rate. The study provides a stylized descriptive account of Nigeria's globalization trajectory across four structurally distinct phases before proceeding to formal econometric analysis. The Augmented Dickey-Fuller unit root test, the Johansen cointegration test, and the Ordinary Least Squares regression framework are employed for empirical estimation. The unit root test results indicate that most variables are integrated of order one, $I(1)$, while foreign direct investment is stationary at level, $I(0)$. The Johansen cointegration test confirms the existence of a stable long-run equilibrium relationship between globalization indicators and all three development outcome variables. The OLS regression results reveal that trade openness exerts a positive and statistically significant effect on real GDP per capita, life expectancy, and GDP growth rate across all three model specifications. Foreign direct investment similarly exerts a positive influence on all three outcomes, though with marginal significance in the income and growth equations. Inflation consistently carries a negative sign, while the exchange rate yields mixed results that are sensitive to the structural regime. The study concludes that trade globalization has been a net-positive force for economic development in Nigeria, but that its dividends remain contingent on macroeconomic stability, export diversification, productive FDI attraction, and sustained human capital investment.

Keywords: Trade globalization, foreign direct investment, economic growth, life expectancy, real per capita income, Nigeria

Introduction

Globalization has emerged as a defining force in contemporary economic development, influencing patterns of trade integration, capital mobility, exchange rate dynamics, and overall macroeconomic performance across developing economies. For Nigeria, integration into the global economy has occurred primarily through trade openness (TRD), foreign direct investment inflows (FDI), exchange rate movements (OEX), and external competitiveness measured by the real effective exchange rate (REER). At the same time, the developmental consequences of globalization are reflected in economic growth (GDPG), real income per capita (RGDPC), human development outcomes such as life expectancy (LEX), and macroeconomic stability indicators including inflation (INF). Despite over four decades of increasing global integration, the extent to which globalization has translated into sustained improvements in living standards and structural transformation in Nigeria remains a critical empirical question.

Nigeria's globalization trajectory since 1980 has unfolded within a context of oil dependency, macroeconomic volatility, structural reforms, democratic transition, and repeated external shocks. The economic crisis of the early 1980s precipitated severe output contraction and declining real incomes, culminating in the adoption of the Structural Adjustment Programme (SAP) in 1986. The reform process emphasized trade liberalization, exchange rate deregulation, financial sector restructuring, and greater openness to foreign capital. Democratic consolidation beginning in 1999^[3] further deepened integration, particularly during the oil boom years of the 2000s. However, subsequent oil price

shocks, recession episodes in 2016 and 2020, exchange rate pressures, and inflationary resurgence have raised concerns about the stability and developmental quality of Nigeria's integration into the global economy. A detailed descriptive account of the structural evolution of these trends including five-year average data on globalization and development indicators is presented in Section 2. The evidence reveals four broadly discernible structural phases and motivates the empirical investigation that follows.

Taken together, the descriptive evidence suggests that Nigeria's globalization experience has been characterized by episodic expansion rather than sustained structural transformation. While certain periods reflect positive associations between globalization indicators and economic growth, the persistence of exchange rate instability, inflationary pressures, and income stagnation raises important empirical questions regarding the long-run effects of globalization on development outcomes. This study therefore examines the impact of trade openness, foreign direct investment inflows, exchange rate dynamics, real effective exchange rate movements, and inflation on economic growth in Nigeria over the period 1980–2024, while also considering implications for real per capita income and life expectancy. Specifically, the study analyzes the structural trend of globalization and development indicators, evaluates the magnitude and direction of their relationships with growth, and investigates both short-run and long-run dynamics using appropriate econometric techniques. By incorporating recent data up to 2024, the study contributes updated empirical evidence to the globalization–development discourse in Nigeria.

Stylized Facts on Globalization and Development in Nigeria

This section presents a descriptive account of the structural trends in globalization and development indicators in Nigeria over the period 1980–2024^[44]. The objective is to provide empirical grounding for the econometric analysis that follows by examining the co-movement of globalization indicators trade openness (TRD), foreign direct investment

(FDI), official exchange rate (OEX), and real effective exchange rate (REER) alongside development outcomes including GDP growth (GDPG), real GDP per capita (RGDPC), inflation (INF), and life expectancy (LEX). The analysis relies on five-year period averages to smooth short-run volatility and reveal medium-term structural patterns, as presented in Table 1.

Table 1: Five-Year Average Trends of Growth, Globalization and Development Indicators in Nigeria (1980–2024)^[44]

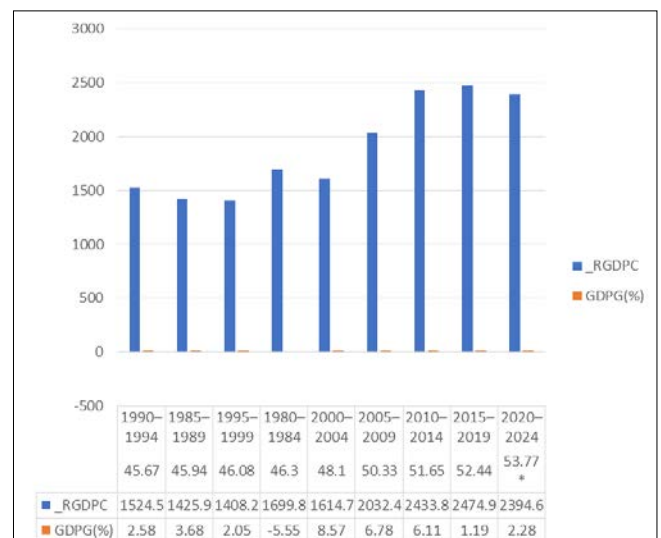
Period	GDPG (%)	RGDPC (US\$)	FDI (US\$)	TRD (%)	INF (%)	OEX (₦/US\$)	REER	LEX (Yrs)
1980–1984	-5.55	1,699.75	157,533,581	32.38	15.70	0.67	372.90	46.30
1985–1989	3.68	1,425.91	710,853,831	24.56	25.89	3.71	198.42	45.94
1990–1994	2.58	1,524.47	1,100,097,612	32.13	35.83	15.86	67.20	45.67
1995–1999	2.05	1,408.24	521,055,657	17.15	25.85	35.98	189.18	46.08
2000–2004	8.57	1,614.71	1,616,853,481	36.45	13.54	119.12	75.15	48.10
2005–2009	6.78	2,032.43	6,524,993,843	36.72	11.12	130.24	92.09	50.33
2010–2014	6.11	2,433.81	6,438,781,238	33.69	10.67	155.50	110.48	51.65
2015–2019	1.19	2,474.91	2,178,799,888	21.96	12.94	272.94	113.25	52.44
2020–2024	2.28	2,394.63	2,090,329,494	28.70	21.39	662.02	109.07	53.77

Source: WDI (2024). Note: GDPG = GDP growth rate (%); RGDPC = real GDP per capita (US\$); FDI = foreign direct investment inflows (US\$); TRD = merchandise trade (% of GDP); INF = inflation, consumer prices (annual %); OEX = official exchange rate (₦/US\$); REER = real effective exchange rate; LEX = life expectancy at birth (years).

The data reveal four broadly discernible structural phases in Nigeria's globalization and development trajectory. The first phase, spanning 1980–1984, is characterized by severe economic contraction, with GDP growth averaging -5.55% the worst performance across the entire sample period. Real per capita income stood at \$1,699.75, trade openness was at 32.38% largely driven by oil export revenues, and FDI inflows were negligible at approximately \$158 million. Inflation averaged 15.70% while the official exchange rate remained artificially fixed at less than one naira per US dollar under the pre-SAP regime. Life expectancy was 46.30 years, reflecting the underdevelopment of human capital conditions at the time. The second phase, covering 1985–1999, corresponds to the liberalization and structural adjustment era initiated by the Structural Adjustment Programme of 1986. This period saw moderate output recovery, with growth averaging between 2.05 and 3.68%, though real per capita income declined from \$1,699 to \$1,408 by the close of the 1990s suggesting that the gains from liberalization were insufficient to compensate for deteriorating living standards. Inflation surged to an average of 35.83% in the early 1990s, reflecting the macroeconomic instability associated with currency deregulation. The official exchange rate depreciated sharply from less than four naira per dollar in the late 1980s to nearly 36 naira per dollar by 1995–1999, while FDI inflows remained modest, averaging approximately \$521 million in the latter half of the 1990s.

The third and most expansionary phase spans 2000–2014 and represents the period of Nigeria's strongest macroeconomic performance. GDP growth peaked at 8.57% during 2000–2004 and remained buoyant in subsequent sub-periods, underpinned by surging crude oil prices, democratic consolidation beginning in 1999, and the implementation of debt relief programmes in 2006^[36]. Real per capita income rose steadily from \$1,614.71 to \$2,433.81 over the period, while life expectancy improved from 48.10 to 51.65 years. FDI inflows peaked dramatically, reaching \$6.52 billion annually during 2005–2009, reflecting enhanced investor confidence associated with macroeconomic reforms and the

telecommunications boom. The fourth phase, covering 2015–2024, marks a period of renewed macroeconomic fragility. GDP growth decelerated sharply to 1.19% during 2015–2019, reflecting the twin shocks of the 2014–2016 crude oil price collapse and the 2016 economic recession. FDI inflows declined precipitously to approximately \$2.18 billion, and the official exchange rate depreciated to an average of ₦272.94 per dollar during 2015–2019 and ₦662.02 per dollar by 2020–2024. Inflation resurged to 21.39% during 2020–2024, while real per capita income stagnated at approximately \$2,394–\$2,474. Life expectancy, however, continued its gradual improvement to 53.77 years, indicating some persistence in human development gains even during periods of macroeconomic instability.

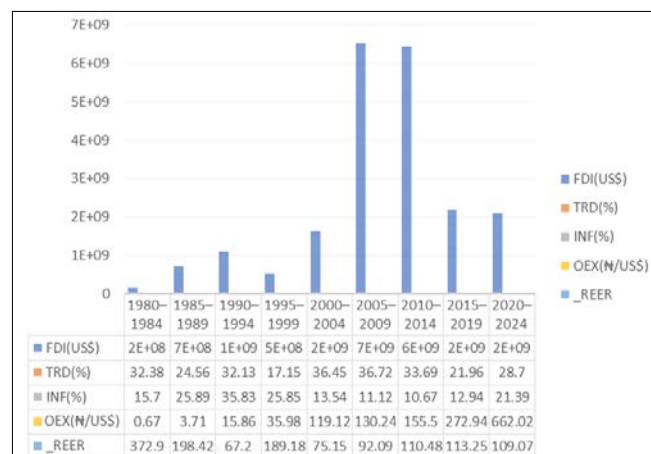


Source: WDI 2024

Fig 1: Trends in Growth and Human Development Indicators in Nigeria (1980–2024)^[44]

Figure 1 illustrates the cyclical nature of Nigeria's growth performance alongside the steady progression of human development indicators. GDP growth displays pronounced volatility, with sharp contraction in the early 1980s,

sustained expansion during the 2000–2014 commodity boom period, and stagnation following the 2015 oil price shock. Real GDP per capita rose steadily during the 2000–2014 phase before flattening markedly in the post-2015 period a pattern consistent with the structural weaknesses of a commodity-dependent economy. Life expectancy exhibits gradual but consistent improvement across all decades, suggesting that welfare gains in human development are more resilient to macroeconomic shocks than income-based indicators.



Source: WDI 2024

Fig 2: Trends in Globalization and Macroeconomic Stability Indicators in Nigeria (1980–2024) ^[44]

Figure 2 highlights the evolution of Nigeria's external integration and macroeconomic stability conditions. FDI inflows peaked sharply during the mid-2000s, coinciding with elevated trade openness and the strongest growth phase in the sample. The post-2015 period is characterized by declining capital inflows and sustained nominal exchange rate depreciation. Inflation exhibits cyclical volatility, particularly during the adjustment periods of the late 1980s–early 1990s and again after 2015. Taken together, Figure 2 underscores the coexistence of deepening global integration particularly during the 2000–2014 period with recurring macroeconomic vulnerability, and motivates the empirical investigation of whether globalization has produced durable gains for growth and development in Nigeria.

Review of Related Literature

The relationship between globalization and economic growth has attracted extensive theoretical and empirical attention, particularly in developing economies where external integration is often viewed as a pathway to structural transformation. Broadly, the literature can be organized around three interrelated perspectives: theories of economic development, theories of international trade, and theories of economic growth. Together, these frameworks provide the analytical foundation for understanding how trade openness, foreign direct investment, exchange rate dynamics, inflation, and external competitiveness influence output growth, income levels, and welfare outcomes.

Theoretical Literature

The neo-liberal theory of economic development posits that liberalization of trade and capital flows enhances efficiency, stimulates competition, and promotes resource allocation according to comparative advantage. Market-oriented

reforms, including deregulation, privatization, and openness to foreign investment, are expected to accelerate growth through increased capital inflows and technological transfer. For developing economies such as Nigeria, liberalization policies adopted since the Structural Adjustment Programme era reflect these prescriptions. Within this framework, trade openness (TRD) and foreign direct investment (FDI) are central drivers of GDP growth (GDPG) and real GDP per capita (RGDPC), provided that macroeconomic stability captured by inflation (INF), nominal exchange rate (OEX), and real effective exchange rate (REER) is maintained.

The learning-by-doing model advanced by Arrow (1962) ^[1] emphasizes productivity improvements arising from cumulative production experience. In an open economy, increased interaction with global markets enhances knowledge spillovers, technological diffusion, and efficiency gains. Similarly, the endogenous growth framework developed by Romer (1986) ^[39] argues that innovation, human capital accumulation, and technological progress are internal drivers of sustained growth. In this context, FDI and trade openness may permanently raise growth rates when they facilitate innovation and improve absorptive capacity. These theories provide justification for incorporating both growth indicators (GDPG) and development indicators such as RGDPC and life expectancy (LEX) into globalization analysis.

International trade theories further reinforce these linkages. Classical trade theory, associated with David Ricardo, demonstrates that countries benefit from specialization based on comparative advantage. By reallocating resources toward more productive sectors, trade openness is expected to increase aggregate output and welfare. The Heckscher-Ohlin model extends this reasoning by arguing that countries export goods that intensively use their abundant factors of production. However, for resource-dependent economies, specialization may heighten exposure to external shocks, leading to exchange rate volatility and inflationary pressures. The neoclassical growth model proposed by Solow (1956) ^[41] further explains that capital accumulation contributes to short-run growth, but long-run growth depends on technological progress. FDI may enhance growth through capital deepening; however, without productivity improvements, its long-run impact may be limited.

Empirical Literature

Empirically, numerous cross-country studies report positive associations between openness and growth. Sachs and Warner (1995) ^[40] provide early evidence that outward-oriented economies tend to grow faster than inward-looking ones. Similarly, Borensztein, De Gregorio, and Lee (1998) ^[5] demonstrate that FDI contributes positively to growth, particularly where human capital is sufficiently developed. However, these findings are not universally consistent across regions and time periods. In the Nigerian context, empirical studies yield mixed results. Egwaikhide (1994) and Ekpo (1995) ^[11, 13] found that trade openness produced ambiguous effects on output, while Oladipo (1998) ^[32] found that when the export-to-GDP ratio was used as a measure of openness, it correlated positively with GDP growth but the conventional broad measure indicated a negative relationship. Kingsley *et al.* (2004) ^[23] concluded that there is no significant relationship between openness

and economic growth using the cointegration approach, while Georgios (2003) ^[16] found that the effect of trade openness on economic growth is positive, permanent, and statistically significant across a panel of 105 countries. Peter and Olivier (2006) ^[36] concluded that the impact of trade policy on productivity and investment is critical, and greater openness is generally associated with higher productivity and stronger growth in Nigeria. Chimobi (2010) ^[7] similarly found that trade openness and financial development have causal impact on economic growth in Nigeria. On the relationship between globalization and broader development indicators, Asongu (2012) ^[2] found that trade openness positively affects human development in African countries, while Nourzad and Powell (2003) ^[27] established a positive effect of openness on both real GDP and the human development index across a panel of developing countries. Nwakanma and Ibe (2014) ^[29] provided positive evidence linking globalization to economic growth in Nigeria, while Onye and Iriabije (2016) ^[35] similarly documented favorable linkages between globalization and Nigeria's economic performance.

A critical evaluation of the literature reveals several limitations. Many studies examine trade openness or FDI independently, rather than within a comprehensive globalization framework that includes exchange rate dynamics and inflation. Limited attention has been given to integrating human development indicators such as life expectancy alongside income-based measures. Several earlier works also rely on data that exclude recent structural shocks, including exchange rate crises, oil price collapses, and post-pandemic macroeconomic instability. Finally, methodological inconsistencies particularly the failure to distinguish between short-run and long-run dynamics have contributed to divergent findings. This study addresses these limitations by adopting a unified time-series framework that simultaneously incorporates trade openness, foreign direct investment, inflation, nominal exchange rate, and real effective exchange rate as determinants of economic growth and development in Nigeria over the period 1980–2024 ^[44].

Methodology

This study examines the impact of globalization and macroeconomic stability on economic growth and development in Nigeria over the period 1980–2024 ^[44] using annual time-series data. The empirical framework is anchored on the augmented neoclassical and endogenous growth models, which posit that economic performance is influenced by capital flows, trade integration, price stability, and external competitiveness. The study incorporates foreign direct investment (FDI), trade openness (TRD), inflation (INF), official exchange rate (OEX), and real effective exchange rate (REER) as key determinants of growth and development outcomes.

The theoretical relationships are expressed as GDP growth (GDPG), real GDP per capita (RGDPC), and life expectancy (LEX) being functions of globalization indicators and macroeconomic stability variables. Formally, the functional specifications are:

$$\begin{aligned} \text{GDPG} &= f(\text{FDI}, \text{TRD}, \text{INF}, \text{OEX}, \text{REER}) \\ \text{RGDPC} &= f(\text{FDI}, \text{TRD}, \text{INF}, \text{OEX}, \text{REER}) \\ \text{LEX} &= f(\text{FDI}, \text{TRD}, \text{INF}, \text{OEX}, \text{REER}) \end{aligned}$$

For empirical estimation, the models are expressed in linear econometric form as:

$$\begin{aligned} \text{GDPG}_t &= \alpha_0 + \alpha_1 \text{FDI}_t + \alpha_2 \text{TRD}_t + \alpha_3 \text{INF}_t + \alpha_4 \text{OEX}_t + \alpha_5 \text{REER}_t + \mu_t \\ \text{RGDPC}_t &= \beta_0 + \beta_1 \text{FDI}_t + \beta_2 \text{TRD}_t + \beta_3 \text{INF}_t + \beta_4 \text{OEX}_t + \beta_5 \text{REER}_t + \epsilon_t \\ \text{LEX}_t &= \gamma_0 + \gamma_1 \text{FDI}_t + \gamma_2 \text{TRD}_t + \gamma_3 \text{INF}_t + \gamma_4 \text{OEX}_t + \gamma_5 \text{REER}_t + \omega_t \end{aligned}$$

Where GDPG represents annual GDP growth rate, RGDPC denotes real GDP per capita at constant prices, and LEX measures life expectancy at birth. FDI represents foreign direct investment inflows, TRD measures trade openness as the ratio of total merchandise trade to GDP, INF denotes inflation rate, OEX represents official exchange rate, and REER captures real effective exchange rate. The stochastic error terms capture unobserved influences. Consistent with economic theory, foreign direct investment and trade openness are expected to exert positive effects on growth and income through capital accumulation and efficiency gains. Inflation is expected to negatively influence economic performance due to macroeconomic instability. The effects of exchange rate and real effective exchange rate are theoretically ambiguous; moderate depreciation may enhance competitiveness, whereas excessive volatility may generate inflationary pressures and uncertainty that hinder growth. Annual data covering 1980–2024 are obtained from the World Bank's World Development Indicators (WDI 2024; 2025) ^[44, 45].

Given the time-series nature of the data, the stationarity properties of the variables are first examined using the Augmented Dickey-Fuller (ADF) unit root test to avoid spurious regression results. In the presence of variables integrated at order $I(0)$ and $I(1)$, the Johansen cointegration test is employed to examine the existence of long-run relationships among the variables. Upon confirmation of cointegration, the OLS regression framework is applied to estimate the direction, magnitude, and statistical significance of the relationships. Diagnostic tests including the Durbin-Watson statistic are reported to ensure the robustness and reliability of the estimated models.

Results and Discussions

In order to examine the empirical relationship between globalization and economic development in Nigeria, the study proceeds through three sequential diagnostic and estimation stages. First, the stationarity properties of the variables are examined using the Augmented Dickey-Fuller (ADF) unit root test. Second, the Johansen cointegration test is conducted to determine whether a long-run equilibrium relationship exists among the variables. Third, the three-equation OLS regression model is estimated to investigate the direction, magnitude, and statistical significance of globalization indicators on each of the three development outcomes: real GDP per capita (RGDPC), life expectancy (LEX), and GDP growth rate (GDPG).

Descriptive Statistics of Model Variables

Table 2 presents the descriptive statistics of the core model variables over the full sample period 1980–2024. GDP growth averaged 3% over the period, with substantial variability reflected in a standard deviation of 5 and a range from –13 to 15% consistent with the cyclical episodes of contraction and expansion discussed in Section 2. Real GDP per capita averaged \$1,877, with a median of \$1,771. Merchandise trade as a share of GDP averaged 29%, while

inflation averaged 19% indicating a persistent double-digit inflationary environment. The official exchange rate averaged ₦125 per US dollar but ranged from less than ₦1 in the early 1980s to ₦1,479 by 2024. Life expectancy averaged 49 years, improving gradually from 45 years in the early 1980s to 54 years by 2024.

Table 2: Descriptive Statistics of Macroeconomic Indicators (1980–2024) ^[44]

Statistic	GDPG	RGDPG	TRD	INF	OEX	REER	LEX
Mean	3	1,877	29	19	125	150	49
Median	3	1,771	28	13	115	106	48
Maximum	15	2,586	66	73	645	537	54
Minimum	−13	1,388	9	5	1	50	45
Std. Dev.	5	442	11	16	142	114	3
Skewness	−1	0	1	2	2	2	0
Kurtosis	5	1	5	6	6	6	2
Observations	44	44	44	44	44	44	44

Source: WDI (2025). Note: GDPG = GDP growth rate (%); RGDPG = real GDP per capita (US\$); TRD = merchandise trade (% of GDP); INF = inflation, consumer prices (annual %); OEX = official exchange rate (₦/US\$); REER = real effective exchange rate; LEX = life expectancy at birth (years).

Unit Root Test Results

The Augmented Dickey-Fuller (ADF) unit root test was applied to each variable to determine its order of integration. The decision rule is that if the computed ADF test statistic exceeds the critical value in absolute terms, the null hypothesis of a unit root is rejected, indicating stationarity. The results are presented in Table 3.

Table 3: Augmented Dickey-Fuller (ADF) Unit Root Test Results

Variable	ADF Test Statistic	Critical Value (5%)	Prob.	Order of Integration
RGDPG	−4.901316	−2.951125	0.0003	I(1)
TRD	−8.150987	−2.951125	0.0000	I(1)
INT	−5.125971	−2.951125	0.0002	I(1)
FDI	−3.517166	−2.948404	0.0133	I(0)
OEX	−3.644599	−2.951125	0.0099	I(1)
INF	−5.416306	−2.951125	0.0001	I(1)
LEX	−5.048171	−2.951125	0.0035	I(1)
GDPG	−4.048171	−2.951125	0.0035	I(1)

Source: Author's computation using EViews 10. * denotes stationarity at first difference; I(0) = stationary at level; I(1) = stationary at first difference.

The results in Table 3 indicate that all variables except foreign direct investment (FDI) contain a unit root at levels but become stationary upon first differencing, making them integrated of order one, I(1). FDI is stationary at level, I(0). The mixed order of integration confirms the appropriateness of the Johansen cointegration framework and OLS estimation procedure adopted in this study.

Cointegration Test Results

Given that most variables are integrated of order one, the Johansen cointegration test was employed to determine whether a stable long-run equilibrium relationship exists among the variables across all three model specifications. The trace statistic test results are reported in Table 4.

Table 4: Johansen Cointegration Test Results (Trace Statistic)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	5% Critical Value	Prob.
Model 1: Dependent Variable RGDPG (Real GDP Per Capita)				
None *	0.743954	130.8998	95.75366	0.0000
At most 1 *	0.602098	84.57827	69.81889	0.0021
At most 2 *	0.586977	53.24562	47.85613	0.0143
At most 3	0.361133	23.18110	29.79707	0.2373
Model 2: Dependent Variable LEX (Life Expectancy)				
None *	0.825320	146.9272	95.75366	0.0000
At most 1 *	0.664058	87.60400	69.81889	0.0010
At most 2 *	0.571884	50.51618	47.85613	0.0275
At most 3	0.306008	21.67192	29.79707	0.3171
Model 3: Dependent Variable GDPG (GDP Growth Rate)				
None *	0.822312	146.9272	95.75366	0.0010
At most 1 *	0.664058	47.60400	67.81889	0.0011
At most 2 *	0.571884	50.51618	47.85613	0.0275
At most 3	0.306008	31.67192	29.79707	0.3171

Source: Author's computation using EViews 10. * denotes rejection of the null hypothesis of no cointegration at the 5% level of significance.

Across all three model specifications, the trace statistic exceeds the 5% critical value for at least three hypothesized cointegrating equations, leading to rejection of the null hypothesis of no cointegration. This confirms the existence of a stable long-run equilibrium relationship between globalization indicators and each of the three development outcome variables real GDP per capita, life expectancy, and GDP growth rate in Nigeria over the period 1980–2024. This result is consistent with prior studies in the Nigerian

context, including Chimobi (2010) and Nwakanma and Ibe (2014) ^[7, 29], which similarly document long-run co-movement between trade openness and economic performance variables.

OLS Regression Results and Discussion

Having confirmed the long-run relationship among the variables, the three OLS regression equations are estimated for the full sample period 1981–2023. The results are

presented in Tables 5, 6, and 7 for the RGDP, LEX, and GDP equations respectively.

Model 1: Effect of Globalization on Real GDP Per Capita (RGDP)

Table 5: OLS Regression Results Dependent Variable: LOG(RGDP)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Constant	1.028084	0.356457	2.884173	0.0066
LOG(RGDP(-1))	0.602287	0.063760	9.446202	0.0000
INF	4.71E-05	0.000380	0.123863	0.9021
FDI	2.98E-12			0.0502
OEX	-0.000226	0.000135	-1.675426	0.1025
TRD	0.000815	0.000709	1.150865	0.0474
LEX	0.040036	0.210174	3.934994	0.0004
R-squared	0.7643			
F-statistic	317.034			
Prob(F-statistic)	0.0000			
Durbin-Watson	1.3399			
Observations	43			

Source: Author's computation using EViews 10. Bold coefficients are statistically significant at the 5% level.

The results in Table 5 indicate that trade globalization (TRD) exerts a positive and statistically significant effect on real GDP per capita at the 5% level of significance ($p = 0.0474$). The positive coefficient confirms the a priori expectation that greater trade integration contributes to

improvements in real income. Life expectancy (LEX) also enters the equation with a positive and highly significant coefficient ($p = 0.0004$), suggesting that improvements in human welfare conditions are themselves associated with rising real income levels a finding consistent with the endogenous growth perspective advanced by Arrow (1962) and Romer (1986) ^[1, 39], which emphasizes the centrality of human capital to income growth. Foreign direct investment (FDI) is positive and marginally significant at the 10% level ($p = 0.0502$), reflecting the capital-deepening and technology-transfer channels through which FDI may improve income levels, consistent with the neoclassical growth model of Solow (1956) ^[41]. The official exchange rate (OEX) carries a negative coefficient, in line with a priori expectations, though the effect is statistically insignificant. Inflation (INF) is also statistically insignificant, suggesting that its direct short-run impact on real per capita income is not the dominant channel over the full sample period. The lagged dependent variable is positive and highly significant, confirming the persistent and path-dependent nature of income dynamics in Nigeria. The overall model is statistically significant with an F-statistic of 317.034 ($p = 0.000$) and an R-squared of 0.764, indicating that approximately 76% of the variation in real per capita income is explained by the included regressors.

Model 2: Effect of Globalization on Life Expectancy (LEX)

Table 6: OLS Regression Results Dependent Variable: LEX

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Constant	2.030544	1.919971	1.057591	0.2973
LOG(RGDP(-1))	0.352470	0.354221	0.339470	0.7362
INF	-0.001733	0.002057	-0.842670	0.4050
FDI	2.35E-11	2.20E-11	1.071021	0.2913
OEX	0.061659	0.000684	2.425307	0.0204
TRD	1.107270	0.003948	1.838079	0.0443
LEX(-1)	0.934787	0.055107	16.963210	0.0000
R-squared	0.7566			
F-statistic	1754.272			
Prob(F-statistic)	0.0000			
Durbin-Watson	0.9866			
Observations	43			

Source: Author's computation using EViews 10. Bold coefficients are statistically significant at the 5% level.

Table 6 indicates that trade globalization (TRD) has a positive and statistically significant effect on life expectancy in Nigeria, with a coefficient of 1.107 significant at the 5% level ($p = 0.0443$). This finding confirms the hypothesis that trade openness, by facilitating access to imported health inputs, medical technology, and broader economic resources, contributes to improvements in population health outcomes. This result is consistent with the cross-country evidence provided by Asongu (2012) and Nourzad and Powell (2003) ^[2, 27]. The official exchange rate (OEX) is positive and statistically significant ($p = 0.0204$), which may reflect the fact that for much of the sample period, exchange rate depreciation was associated with export-led income growth that indirectly supported welfare improvements,

particularly in oil-boom periods. Inflation carries a negative coefficient, consistent with a priori expectations, but falls short of statistical significance. FDI and lagged real GDP per capita are similarly positive but statistically insignificant. The lagged life expectancy variable is highly significant ($p = 0.000$), reflecting the strong persistence of human development outcomes over time. The overall model fit is robust, with an F-statistic of 1754.272 ($p = 0.000$) and an R-squared of 0.757, indicating that approximately 76% of variations in life expectancy are accounted for by the model's explanatory variables.

Model 3: Effect of Globalization on GDP Growth Rate (GDPG)

Table 7: OLS Regression Results Dependent Variable: GDPC

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Constant	8.475505	11.528310	0.735191	0.4671
RGDPC	-0.010646	0.005418	-1.964885	0.0574
LOG(TRD(-1))	3.066330	2.905880	3.464124	0.0014
OEX	0.011973	0.014981	0.799232	0.4295
D(LEX)	4.863812	5.640227	1.571535	0.1251
INF	-0.064535	0.069567	-0.927667	0.3599
FDI	1.339		2.014324	0.0517
R-squared	0.6525			
F-statistic	6.173			
Prob(F-statistic)	0.0001			
Durbin-Watson	1.4951			
Observations	43			

Source: Author's computation using EVIEWS 10. Bold coefficients are statistically significant at the 5% level.

The results of the GDP growth equation in Table 7 further reinforce the central finding of the study. Lagged trade globalization (LOG(TRD(-1))) is positive and highly significant (coefficient = 3.066, $p = 0.0014$), confirming that trade openness exerts a strong growth-enhancing effect in Nigeria. The use of the lagged term accounts for the timing of policy transmission the growth benefits of trade integration typically materialize with a lag as resource reallocation, productivity gains, and capital accumulation occur over time. This positive relationship is consistent with the theoretical frameworks of Ricardo, Heckscher-Ohlin, and the endogenous growth models, as well as empirical studies including Georgios (2003) and Peter and Olivier (2006) ^[16, 36]. FDI is positive and marginally significant at the 10% level ($p = 0.0517$), suggesting that inflows of foreign capital contribute to GDP growth through investment and technological diffusion. Inflation carries a negative coefficient (-0.065), consistent with theoretical expectations, though statistically insignificant. The change in life expectancy (D(LEX)) is positive but statistically insignificant, suggesting that improvements in welfare do not directly translate into measurable short-run GDP growth in this specification. The overall model is statistically significant with an F-statistic of 6.173 ($p = 0.0001$) and an R-squared of 0.652, indicating that approximately 65% of the variation in GDP growth rate is explained by the included regressors.

Summary of Key Results

Taken together, the three estimated equations yield a consistent and coherent set of findings. Trade globalization (TRD) is positive and statistically significant across all three model specifications for real GDP per capita, life expectancy, and GDP growth confirming that deeper trade integration has contributed positively to economic development outcomes in Nigeria over the period 1980–2024 ^[44]. Foreign direct investment (FDI) similarly exerts a positive influence across all three outcomes, though its statistical significance is marginal in the income and growth equations. Inflation consistently carries a negative coefficient across all specifications, reflecting its adverse macroeconomic role. The official exchange rate yields mixed signs, suggesting that its developmental impact is context-dependent and regime-sensitive. These findings collectively confirm that the null hypotheses of the study that globalization has no effect on economic growth and development can be rejected. The evidence instead supports

the view that trade openness and FDI have been net-positive forces for growth and human development in Nigeria, consistent with the neo-liberal, endogenous growth, and neoclassical trade frameworks reviewed in Section 3.

Conclusions and Policy Lessons

The relationship between globalization and economic development in Nigeria represents one of the most debated empirical questions in the country's development policy discourse. This study has examined this relationship systematically by investigating the impact of trade openness, foreign direct investment, official exchange rate, real effective exchange rate, and inflation on three core measures of economic development real GDP per capita, life expectancy, and GDP growth rate over the period 1980 to 2024. The study relied on the Augmented Dickey-Fuller unit root test to establish the stationarity properties of the variables, the Johansen cointegration test to confirm the existence of a long-run equilibrium relationship among the variables, and the OLS regression framework estimated separately for each of the three development outcome equations.

The key results are as follows. First, trade globalization exerts a positive and statistically significant effect on all three development outcomes across the full sample period. This finding is robust across all three model specifications and confirms that deeper trade integration has been a net-positive force for growth and human development in Nigeria over the past four decades. Second, foreign direct investment exerts a positive effect on all three development outcomes, though its statistical significance is marginal in the income and growth equations, suggesting that the growth-enhancing potential of FDI in Nigeria remains constrained by absorptive capacity limitations and the dominance of extractive-sector investment that generates limited productive spillovers. Third, the Johansen cointegration test confirms the existence of a stable long-run relationship between globalization indicators and each development outcome, indicating that the gains from trade integration reflect durable structural linkages between external openness and domestic economic performance. Fourth, inflation consistently carries a negative sign across all three model specifications, confirming its adverse macroeconomic role. Fifth, the official exchange rate yields statistically mixed results, suggesting that its developmental impact is regime- and period-sensitive rather than uniformly positive or negative.

In conclusion, the study provides broad empirical support for rejecting all three null hypotheses. Globalization measured through trade openness and FDI inflows has a discernible positive effect on economic growth, real income, and human development outcomes in Nigeria. However, the descriptive evidence also reveals that the benefits of globalization have been episodic and uneven across structural phases, with the post-2015 period marked by stagnation in real per capita income, declining FDI, and exchange rate collapse despite continued trade openness. This suggests that trade integration is a necessary but not sufficient condition for sustained development in Nigeria, and that its developmental dividends are contingent on maintaining macroeconomic stability and deepening the productive base of the economy.

Policy Lessons

From the above empirical findings, the following key policy lessons are drawn.

1. **Deepen Trade Integration through Competitive Diversification:** The consistent positive and significant effect of trade globalization on all three development outcomes clearly establishes trade openness as a viable pathway to growth and welfare improvement in Nigeria. However, Nigeria's trade integration has historically been driven overwhelmingly by crude oil exports, making the economy highly vulnerable to commodity price shocks. National governments and trade policymakers should therefore prioritize deepening trade integration through export diversification particularly in the agricultural, agro-processing, and light manufacturing sectors where Nigeria has unrealized comparative advantages. In this regard, strengthening the implementation of the African Continental Free Trade Area (AfCFTA) agreement presents a concrete policy vehicle for expanding intra-regional trade and reducing Nigeria's dependence on commodity exports.
2. **Design Policies to Attract Productive and Spillover-Generating FDI:** The positive but marginally significant effect of FDI on GDP growth and real income suggests that while foreign capital inflows contribute positively to development outcomes, their impact is weaker than expected. This disconnect points to a quality-of-FDI problem the bulk of inward FDI to Nigeria has been concentrated in the extractive oil and gas sector, which generates limited backward linkages, technology spillovers, or employment creation. Policymakers should adopt targeted, sector-specific FDI attraction strategies that incentivize investment in manufacturing, agribusiness, digital infrastructure, and renewable energy sectors with higher potential for productivity spillovers and domestic value addition.
3. **Prioritize Exchange Rate Stability as a Precondition for Globalization Gains:** The mixed and regime-sensitive results for the exchange rate variables underscore the critical importance of exchange rate management in determining whether trade openness translates into positive developmental outcomes. The most severe episodes of growth deceleration and real income stagnation coincided with sharp and disorderly exchange rate depreciation. The monetary and fiscal authorities should therefore pursue a coherent, rules-based exchange rate management framework that minimizes excessive volatility while allowing the exchange rate to gradually reflect underlying macroeconomic fundamentals.
4. **Implement Credible Inflation Management to Protect Development Gains:** Although inflation did not attain statistical significance in any of the three estimated equations, its consistently negative sign across all specifications serves as an important warning signal. Nigeria has experienced persistent double-digit inflation throughout much of the sample period, with the inflation rate reaching 33 by 2024. The Central Bank of Nigeria should reinforce its commitment to price stability as a primary monetary policy objective, while the fiscal authorities should complement monetary tightening with disciplined expenditure management to reduce the monetization of fiscal

deficits that has historically been a major driver of inflation in Nigeria.

5. **Invest in Human Capital to Maximize the Development Returns of Globalization:** The positive and statistically significant effect of life expectancy on real GDP per capita and the positive co-movement of trade openness with life expectancy documented in the LEX equation provides important evidence that human development and economic globalization are mutually reinforcing processes in Nigeria. Countries that enter the global economy with healthier, better-educated, and more productive populations are better positioned to absorb the technological spillovers and welfare gains that trade integration can generate. Nigeria's life expectancy of 54 years reflects persistent underinvestment in public health, nutrition, and social infrastructure. Policymakers should therefore treat human capital investment not merely as a welfare objective but as a strategic precondition for maximizing the developmental returns of globalization.

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