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The Nexus of Globalisation and Economic Development: The Nigeria Experience

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Abstract

The research work studies the relationship of globalisation on economic development of the Nigerian economy. It uses the time series data over the period 1980 to 2012. The researchers therefore reviewed the existing literature on the implication of globalisation on the economic development of Nigeria. Thus the concepts of globalization and development as well as some components of Nigeria development and the impact of globalisation on the world economy are critically examined. The study make use of co-integration analysis to verify the long run relationship between globalisation and economic development and granger causality test was conducted to examine the direction as well as the nature of causality between the variables of globalization and economic development that is GDP growth rate. The regression result shows that all variables used have negative relationship except for foreign direct investment (FDI) and political instability (POL) but their parameter estimates are not statistically significant at 5% percent and only about 78% variation in the GDP growth rate (proxy for economic development) is explained by the independent variable that is variables used to capture globalisation and the control variables. Finally the test confirms weak relationship existing between globalisation and economic development in Nigeria.

Keywords: Globalisation, Economic Development, Variables of Globalization, Co-integration, Causality test, Nigeria

1. Introduction

Globalisation has become a commonly used word world-wide. It is no longer a new concept or phenomenon in the academic and business world as social scientists, journalists, business analysts, management theorists, writers and commentators generally have at various times used and will continue to use the word in particular contexts for declared and undeclared purposes, with more or less effectiveness in their attempt to explain or interpret issues in this changing and complex world (Akinlo, 1998). Unlike the millennium, the notion of globalization captures what could be called the essential character of the age. Francis (2001) describes globalization as the great economic event of our era. It is also because; it is now bringing unprecedented opportunities to billions of people throughout the world. The rapid growth of information technology and the increased global integration of trade and capital which have had profound consequence for the world economy are resulting into significant shift in the world economy. This is because, increasingly, major decisions around the world are given by global competitive pressure.

The speed at which the effect globalization is spreading is fast day by day and no nation can afford to be behind if such a nation is to maintain acceptable rate of growth and development (Peter; 2002). It is also observed by Bayo (2000) that the growing impact of two major distinct global trends, which has profound implication on the world economy, are rapid growth of information technology and the increased global trade integration. He notes that these trends are resulting in a significant shift in the world economy. Probably this is why Eduard (2002) notes that the people of the planet of the earth have become one large family.

Globalisation has opened up new and extensive opportunities for worldwide development. However, this is not "progressing evenly" as some countries are becoming integrated into the global economy more rapidly than others with the evidence of fast growth and reduced poverty. The process of globalisation has given rise to greater competition towards markets and investments. Changes that are sweeping rapidly across the business world have forced businesses and nations to adapt by striving to change old economic behaviours and traditions.

Globalisation constitutes a critical motivation for development in the contemporary world of today as a result of the challenges it poses to nation states. The equation of global influence is fundamentally determined by a vibrant economy that is characterised by inherent ability to sustain a steady state growth path and development. Theories of economic growth (both neoclassical and endogenous models) converge on the fact that technology is the driving force of economic growth. The crucial factor in global economic development is therefore technological capabilities, which makes proper utilisation of resources feasible. In turn, the utilisation of resources is a requisite process for attaining technology and generating economic growth. Globalisation is widely seen as a powerful engine that has the potential to promote growth and development.

Development, however, though a multi-dimensional concept has to do with a rate of change in a particular direction "change in technology, social, economic and political aspect of life resulting in happy human life'. It is related closely to the concept of globalisation. Development as a concept has attracted many definitions and interpretations among scholars and writers; nonetheless, it addresses the process of transforming a society positively. It is therefore pertinent to view “globalization and development as the two broad concepts for transformation.

Globalization, which is the idea of neutrality in trade policy, is conceptualize as process through which an increasingly free flow of ideas, people, goods, service, culture and capital leads to the integration of economies and societies across the globe. However, the world is becoming smaller and more interconnected. The pace of global economic integration-the widening and intensifying of international linkages in trade, finance and communication as accelerated in the past decade, underpinned by liberalization of economic policies and by technological discoveries that facilitate transport and communication network. Ozughalu and Ajayi (2007) asserts that globalization has paved way for increasing harmonization of the economic rules that govern relationship between sovereign nations, establishment of structures that support and facilitate dependence and interconnection and creation of global market place. Trade theorists often argue that openness boosts the standard of living and macroeconomic prosperity of the participating countries through rising output, incomes and transfer of sophisticated technologies from advanced economies to less developed economies like Nigeria. In addition, globalization is believed to promote human freedom by spreading information and increasing choices (Annam-Yao, 1996). In the 90’s was the era of globalization which connotes external opening and increased role of markets domestically (i.e., the market economy). To the developing world, market economy is a modern way of turning the economy around. The essence of globalization in Nigeria is to move the economy towards external liberation, focusing on market-oriented economic system export-led strategy and stabilization of the economy. In Nigeria, it was the era of structural adjustment programme in collaboration with the IMF and World Bank. The governments in the developing world believe that it is more desirable to globalize which simply means to open up the economy and penetrate the international markets.

1.1 Statement of the problem

By its nature, globalization concurrently provides economics opportunities and economic threats. More so, it seems to be biased and has unequal considerations on countries. Above all developing economies are hold-out for benefiting from globalization due to their economic status. Cross-country capital flows are growing rapidly, and domestic systems are consequently increasingly exposed to shocks emanating from abroad. Since cross-border financial flows tend to be more volatile than domestic flows especially equity flows, such flows heighten the risk of financial crisis in many developing economies (Earnest, 2004). Really, exposure of developing economies to external shocks of global financial integration raises capital flight and inflows. This affects exchange and interest rates, hence pose new challenges of macroeconomic management of the economy.

Dos Santos as cited in Suleiman (2004) believed that, "unequal exchange led to the development of dependency relationship where third world has their economies conditioned by the growth and expansion of another economy. Nigeria has an example experienced dependent economy which is considered among the factors responsible for economic slow

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growth rate. Globalization imposed a dependent capitalist social system and western values in the forms of industrialism, market principle and institutions on Nigeria. A culture of dependency also was institutionalized through internationalization of capital and social life…. underdevelopment and inferiority complex were also instituted as a cumulative product of Western hegemony on Nigerians (Suleiman, 2004).

Nigeria has been experiencing disappointing performance in terms of growth in GDP and the general development of her economy. As a result there is no improvement in the reduction of poverty. In the last decades, the global economy suggest a challenge; the utilization of the opportunity engineered by globalization while at the same time managing the problem and tension it poses, for developing countries like Nigeria. Rather than strengthening the economy, globalization seeks to retrench it, thus Nigeria enters the global market at a competitive disadvantage as a largely mono-product economy with weak currency, shrinking indigenous industrial space, mounting debt profile, corruption-infested political and economic climate. This unacceptable posturing imposes a systematic dispossession and exploitation of initiatives and resources and also the misuse and squandering of the economic surplus by the regional and local power elites.

1.2 Objectives of the study

The broad objective of this research work is to study entirely, the relationship between globalization and Nigeria economic development. This broad objective can be subdivided into the following smaller objectives:

- To examine the impact of globalization on economic development of Nigeria.
- To identify other internal and external macroeconomic factors that determines economic development in Nigeria.
- To determine the nature and direction of causality that might exist between globalization and economic development in Nigeria.
- To ascertain the possibility of long run relationship between globalization and economic development in Nigeria.

1.3 Research questions

The following research questions were formulated based on objectives of the study.

►Does globalization have any significant impact on economic development in Nigeria?

►Is there any other macroeconomic variable that has significant impact on economic development in Nigeria?

►Is there any other form of linear relationship between globalization and economic development in Nigeria?

►Is there long run relationship between globalization and economic development in Nigeria?

Research hypothesis

H0 – There is no relationship between globalisation and economic development in Nigeria.

H1 – There exist a relationship between globalisation and economic development in Nigeria.

1.4 Justification of the study

Nigeria is currently undergoing a series of transformation in every sector of the economy, including the external sector of the economy. The country's economic policy in the last two decades had one dominating theme which is an integral part of the structural Adjustment Programme (SAP) – trade liberalization. This policy was espoused on the argument that it enhances the welfare of consumers and reduces poverty as it offers wider platform for choice from among wider variety of quality goods and cheaper imports. Today, there are many existing literature on the topical issue of globalization and economic development of which some support the axiom that globalization is directly correlated to greater economic development with the main operational implication being that governments should dismantle the barriers to trade. The focal point of this research work is to identify the short comings and benefits of this argument as well as check the validity of this mainstream axiom in Nigeria in the presence of various internal and external shocks.

2. Literature Review

2.1 Introduction

Over the past decade, globalization has been a pervasive trend in almost all economies. The world economy, according to Seunghee et al (1998), is becoming increasingly interdependent, deepening and intensifying international linkages, most notably in trade. Lawrence (1996) stressed that about 90 per cent of world nations are involved in regional economic arrangement, such as the European Union (EU), the North American Free Trade Agreement (NAFTA) and the Asia–Pacific Economic Corporation (APEC). The integration of individual economies into the world economy, according to Machlup (1976) and Seunghee (1998), has progressed, forming new links between developed and developing economies. Globalization in developing countries has occurred largely as a consequence of moves towards external liberalization, part of broader shift to more market oriented and export–led development strategies often in line with the stabilization and structural adjustment programmes of the IMF and World Bank (Motley, 2001). The ratio of world trade to GDP in nominal terms has been on a steady rise since 1987 in advance economies but this is not so in Nigeria. While there is improvement in the world trade during the globalization era, i.e. from the 1990s to the present day, the effect is yet to be felt in Nigeria.

Fu-chen Lo et al. (2000) stressed that growing networks of flows in goods and services, capital, finance, people and information are increasingly linking nations through the activities performed in their major urban centres. They went further by saying that the logic of globalization driven has privileged some regions and cities over others. The developed world and some developing and newly industrialized economies (NIEs), according to them, have benefited the advanced economy while many developing countries have been marginalized. Yeung and Lo (1996) emphasized the important elements in the evolution of the global system as the expansion of trade, capital flow, (particularly direct investments) and a wave of new technologies. Akinbobola (2001) stressed that globalization of the Nigerian economy may foster a re-orientation of the domestic economy and re-direct the course of industrialization and technology development. According to Obaseki (1999), globalization has both positive and negative effects, the positive effects or benefits are numerous but the most important ones include: increase specialization and efficiency, better quality products at reduced prices, economies of scale in production, competitiveness and improvement and Increase managerial capabilities.

2.2 Empirical review

Pieterse (2000) argues that globalization involve a trend towards human integration, but that this in a long term, uneven and paradoxical process. In the global human condition, widening human cooperation and depending inequality go together. In another approach, Chaldreron and Chong (2001) finds the primary export countries, of which most are developing ones, are associated with an increase in inequality, while manufacturing export ones, of which most are developed, are linked with decreasing inequality, despite the increasing inequality. Also, Mayer (2001) finds that globalization has improved access to new technologies and provides unique opportunities for low income countries to raise their incomes. The countries differ by technology upgrading and skill accumulation of the domestic force. Graham (2005) argues that globalization is a major engine for growth in aggregate, globalization either introduced or exacerbates other trends that affect people's wellbeing as much if not more than income.

Zhao (2005) focuses on the technology diffusion process by which new technologies are introduced in developing countries. He emphasizes that technology countries could truly benefit from new technology can potentially increase the income level of rural farmers. It may not be adopted by all and its diffusion may be slow due to adopted sunk cost and uncertainties about net pay offs of the technology in question. None of these studies directly examine relationship between different macroeconomic stability measures and globalization. Previous research in this areas includes Obadan (2007), Awake (2002), Dollar (2001), Graham (2000), Clark (2000), Aminat (2000), Obadan and Obioma (1999), Obaseki (1999), and Ekpo (1995). Dollar and Kraay (2001, 2002) combines measures of income distribution derived from house hold survey with aggregate national data to measure income of the poor. Deaton (2001, 2003) suggested that using aggregate national income data to interpret cross country correlations between aggregate growth and income distribution is likely to be misleading. This is because the observed correlation could be attributable to measurement error as well as biases in national income statistics, which generally suggests a much higher rate of income distribution relative to trends in aggregation income inequality implied by house hold surveys.

2.3 Influence of globalization on the economy of Nigeria

Bayo (2000) and Salimono (1999) observethat globalization offers developing countries. Like Nigeria the opportunities to create wealth through the export-led growth, to expand international trade in goods and services and to gain access to new ideas, technologies and institutional designed. This means that globalization affects all aspects of Nigeria development including her economy. In essence, globalization offers many opportunities to Nigeria and other developing countries as well as other actors in the global economy.

According to Salimono (1999), globalization has reduced barrier existing in international trade. The reduction in those barriers has opened the door for export led growth. For instance, Phillips (1991) notes that Nigerian economy has been mono-cultural since independence and has so much depended on the western countries for its survival. Bayo(2000) and Eatwell (1996) observed that in the 60s, Nigeria depended on agriculture for her revenue, which in turn, was used to provide life sustaining goods for the citizen. Then, Nigeria and other less developed economies exported raw-materials in form of cash crop such as Cocoa, Coffee, palm-produce Groundnut etc.

2.4 Globalization and its relationship to development in Nigeria

Globalization is a term that has a broad and elastic meaning, denoting "the process in which economic, financial, technical, and cultural transactions between different countries and communities throughout the world are increasingly interconnected, and embody common elements of experience, practice, and understanding" (Pearson, 2000). The process of globalization deeply affects social, moral, cultural, political, and economic lives, and it is often defined in economic terms as an inevitable process over which citizens do not have control. Consequently, globalization can be seen as "the process whereby individual lives and local communities are affected by economic, political, and cultural forces that operate world-wide (Ashcroft et al, 2000).

2.5 The variables of economic development

The three variables of Economic Development are listed below:

Structural change; External influence on government; Environmental conditions.

3. Methodology

3.1 Theoretical framework

The concept of globalization has very sound theoretical framework (or underpinnings). The promotion of trade as the foundation of the wealth of nations was propounded by the mercantilist. This was before the emergence of Adam Smith's and DavidRicardo's theses. The radical theorists later criticized the neo-classical model of economic growth. Looking at the present developments in the world economies, it has been proven that it is impossible for countries to separate or isolate themselves in a rapidly integrating world. Globalization has come to stay. Trade theories as well as close and open economy macroeconomic theories have explained a great deal of the phenomenon that has overwhelmed the world. Over the past decade, globalization has been a pervasive trend in almost all economies. The world economy is becoming increasingly interdependent, deepening and intensifying international linkages, most notably in trade. The trade theorist advanced the thesis that trade was essential for the growth of nations. The argument of this school of thought does not favour autarky, where an economy is closed with little relations with the rest of the world. They believed that an economy should be opened. Global industrial restructuring in the 1990s was characterized by the increasing specialization of firms and their extensive outsourcing and networking strategies. Heightened global competition, growing technological complexities and evolving markets and consumer tastes are driving restructuring of firms of all sizes. The trend towards downsizing and focusing on core competencies is accompanied by growing alliances, mergers and other types of business networks with foreign partners.

Adewuyi (2003) examined the extent to which Nigeria could benefit fromglobalization using descriptive analysis. He noted that the present Nigeria's economic structure does not appear to meet the international standard for operation of globalizationespecially in the areas of large-scale reductions in trade barriers, competitiveness of price sector activities and provision of favourable macroeconomic environment and infrastructure. The findings of Tule (2003), Ozaghalu and Ajayi (2003) supported Adewuyi's view but emphasized that the negative effects of globalization could generate a rising inequity and inequality in the distribution of the dividends of globalization.

3.2 Model specification

Considering the previous empirical studies on the topic it is very obvious that divers' approaches have been used in the past to demonstrate the impact of globalisation on a country's economic growth. For instance, Rodrik(1999), Huymen and Hilderink (2005) were of the opinion that foreign direct investment and trade openness are the most significant variables to capture globalisation. However, (Šliburytė and Masteikienė, 2010) were of the opinion that, policy variables and nature of government institution should also be included as variables of globalisation. On this note our model uses these two forms of variables to proxy globalisation. In addition, the model also included some control variables such as per capita income, capital formation and oil revenue as part of the independent variables. The model is thus specified as follows:

$$gdpgr = f(fdi, top, \emptyset, \beta) \tag{3.1}$$

That is: $$gdpgr = \propto_0 + \propto_1 fdi + \propto_2 top + \propto_3 \emptyset + \propto_4 \beta + \varepsilon_i \tag{3.2}$$

Where,

GDPGR= GDP growth rate (proxy for economic development)

FDI= foreign direct investment

TOP= trade openness

$\emptyset$ = represents the policy variables that comprise of both fiscal monetary policy variables

B= represents the control variables used, they are selected macroeconomic variables.

The "a priori" expectation pattern of the behaviour of the independent variable in terms of their parameters to be estimated is:

$\propto_1 > 0, \propto_2 > 0, \propto_3 < 0, \propto_4 < 0$

3.3 Definition of variables

Globalisation Variables: These comprise of foreign direct investment (FDI), trade openness (TOP), policy and government institution variables. Policy variables used in the model are money supply growth rate (MSGR), inflation rate (INF)and exchange rate (EXR). This are monetary policy variables while, ratio of fiscal deficit to fiscal surplus (FD/FS) represents the fiscal policy variable. Nature of government as an institution is capture with dummy variable of political instability (POL). 1 is entered for when the country undergoes political stability while 0 is used for periods of political instability.

Note that trade openness is calculated as follows;

$$\frac{\text{Total export} + \text{Total import}}{\text{GDP}}$$

Control Variable:The control variables used in this study comprise macroeconomic variables such as gross capital formation (CAP). Per capita income (PCI) and oil revenues (OIL)

3.4 Estimation techniques

Considering the nature of the objectives of these study co-integration analysis will be used to verify the existence of long run relationship between globalization and economic development while, granger causality test will be conducted to examine the direction as well as the nature of causality between the variables of globalization and economic development that is GDP growth rate. However the co-integration test starts with the test for stationarity that is the unit root test.

4. Result and Discussion

This section of the study involves the presentation and interpretation of the empirical result. It starts with the verification of the time series properties of the variables used in the model. That is the unit root test. This is also known as the test of stationarity.

4.1 Unit Root test

The result of the unit root test is presented in table 1.

Table 1. Stationarity test

Variables	ADF Test statistics	Order of integration
INF	-5.056	1{1}
GDPGR	-5.128	1{1}
TOP	-9.075	1{1}
EXR	-5.235	1{1}
MSGR	-4.291	1{1}
LFDI	-8.801	1{1}
POL	-5.410	1{1}
FS/FD	-4.418	1{0}

LCAP	-5.862	(1)
LPCI	-7.553	(1)
LOIL	-7.521	(1)

Source: Author's computation, 2013.

The result of the augmented Dickey fuller {ADF} unit root test is presented above from the result; all of the variables are stationary at first difference except fiscal surplus/deposit ratio. The condition for testing for co-integration has been met. The idea behind co-integration is that even if some variables are not stationary their linear combination may be stationary after all. The existence of co-integration confirms co-movement among the variables and consequently long run relationship exists among the variables.

Being multivariate function Johansen methods of co-integration is employed and the result is presented in table 2.

Table 2. Johansen Co-integration test

Trace statistics Value	5% Critical Value	Maximum Rank
232.9189**	156.00	0
148.6314**	124.24	1
91.6360	94.15	2
52.8630	68.52	3
26.6518	47.21	4
8.9284	29.68	5
1.0545	15.41	6

***Source**: Author's Computation, 2013.*

Note: {**} denotes rejection of the hypothesis at 5% level of significance

The result of the Johansen co-integration test presented above indicates at least two co-integration equations. The result therefore confirms the existence of co-integration among the variables. Consequently we can conclude that there exist a long run relationship between globalisation and economic development in Nigeria. The fourth of objective of this study as stated in the chapter one has therefore been met.

To examine the impact of globalisation on Nigeria economic development we proceed to estimation of the regression model as presented in table 4.3.

Table 3. Normalised regression equation for Economic development (GDPGR*)*

Variables	coefficients	Std error	T value
INF	-.0469726	.0564272	-0.83
TOP	5.114076	9.555165	0.54
EXR	.0097197	.0656621	0.15
MSGR	-.1812319	.2234048	-0.81
LFDI	3.461732	2.248527	1.54
POL	2.36e-13	5.992619	1.43
FS/FD	8.576005	1.52e-12	0.15
LCAP	4.048221	3.231908	-1.25
LPCI	9.083421	14.17152	0.64
LOIL	-5.41089	56.40569	-0.91
Constant	220.5967	305.6088	0.72

F (11, 19) = 2.79,). P (F)=0.012, R-squared = 0.7085

Source*: Authors computation, 2013.*

The result in table 4.3 explains the linear relationship between globalisation and economic development in Nigeria. It appears that none of the variables used to capture globalisation i.e. foreign direct investment(FDI) money supply growth rate(MSGR) exchange rate(EXR) , inflationary rate (INF), trade openness(TOP), index of political stability (POL) and fiscal surplus/deficit ratio (FS/FD) has any significant impact on the GDP growth rate which is used as a proxy for economic development. In addition, the three control variables used in the model namely; oil revenue, per capita income and gross capital formation all failed to have any individual significant impact on GDP growth rate.

It is also clear that all the variables have negative relationship with economic development except FDI and pol but notwithstanding; their parameter estimates are not statistically significant at 5% level also like others. However, the value of the R square is relatively high. The value of R square of 0.708 is an indication that only about 70% variation in the GDP growth rate (proxy for economic development) is explained by the independent variables that is variables used to capture globalisation and the control variables. The result simply shows that all the variables used to capture globalization do not have significant impact on GDP growth rate. This is an indication that globalisation does not have any significant impact on economic development of Nigeria.

The F test which is the test of overall significance of the model also goes the same way. The value of F statistics of 2.79 is significant at 5% level. The model is therefore statistically significant.

However, as part of the objectives, the study intends to assess other forms of linear relationship that might be existing between globalisation and Nigerian economic development. On this note, the study explores the granger causality between economic development and variables used to capture globalisation. The result of the granger causality

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test is presented in table 4.

Table 4. Granger Causality test

Hypotheses:	F Statistics	Probability
Inflation rate does not granger cause GDP growth rate	.14323	0.931
GDP growth rate does not granger cause inflation rate	1.3291	0.515
Exchange rate does not granger cause GDP growth rate	2.4641	0.292
GDP growth rate does not granger cause exchange rate	.64121	0.726
FDI does not granger cause GDP growth rate	.5852	0.746
GDP growth rate does not granger cause FDI	7.8112	0.020
TOP does not granger cause GDP growth rate	3.2603	0.196
GDP growth rate does not granger cause TOP	7.7772	0.020
MSGR does not granger cause GDP growth rate	4.34	0.114
GDP growth rate does not granger cause MSGR	2.2903	0.318
Political stability does not granger cause GDP growth rate	.89685	0.639
GDP growth rate does not granger cause political stability	.20694	0.902
FS/FD does not granger cause GDP growth rate	16.092	0.000
GDP growth rate does not granger cause FS/FD	6.4296	0.040

The result of the causality test as shown on table 4 further confirms weak relationship existing between globalisation and economic development. From the causality test result it appears that virtually all the variables of globalisation do not exhibit notable causality with the GDP growth rate which is proxy for economic development. For instance, there is a unidirectional causality between FDI and GDP growth rate, it runs from GDP growth rate to FDI showing that GDP growth rate can cause FDI. The implication is that it is the level of our economic development that determines the level of FDI available to Nigeria as a country.

Again, the study finds a unidirectional causality existing between GDP growth rate and Trade openness (TOP). Similarly the causality runs from GDP growth rate to TOP. This indicates that it is the GDP growth rate that causes TOP. The implication is that it is the level of economic development of Nigeria that also determines the existence of outward orientation in trade relationship between Nigeria and other country.

The only variable in the model that exhibit bidirectional causality with the GDP growth rate is fiscal surplus/deficit ratio. This shows that government fiscal policy has a strong relationship with the level of economic development of Nigeria. All other variables fail to show noticeable relationship with the GDP growth rate except FDI, TOP and FS/FD.

Finally, going by the results from the unit root test to co-integration, to regression result and to the causality result it is clear that globalisation has not been having a very significant impact on the economic development of Nigeria. Though there exist a long run relationship between them but other forms of relationship which the study has explored with various estimating techniques is indicating that such long run relationship might be very weak since all the variables used to capture globalisation cannot exhibit any significant impact on economic development.

4.2 Basic inferences and comparison with past empirical findings

Firstly, the study has made used of relevant variables such as trade openness, foreign direct investment to capture globalisation (see Rodrik 1999, Huymen and Hilderink (2005). However other researchers which include Šliburytė and Masteikienė (2010) among others have identified fiscal and monetary policy variables as well as nature of government institutions as other determinants of globalisation. On this note the study made used of variables such as FDI, trade openness, dummy variable for political instability (this represents government institutions) money supply growth rate(represents monetary policy variables) and fiscal deficit/surplus (represents fiscal policy variable addition some set of control variables which are purely macroeconomic variables namely; per capita income, oil revenue and gross capital formation in Nigeria were also used All these were used as the explanatory variables in the model. Hence, the study has not deviated from past empirical studies on the variables used to capture globalisation. However, it was noted that none of the empirical studies on Nigeria has used these variables holistically to examine the effect of globalisation on the Nigerian economic growth.

Secondly, the relationship between the variables of globalisation and economic development has exhibited mixed forms interactions when compared with some past empirical studies. However, the study discovers that the difference has to do with the level of development of the country under examination. For instance in the OECD report 2005, it was observed that trade openness had significant and positive impact on the economic development of four developed countries examined that is USA, Japan and UK. But comparatively the result from this study shows that the relationship is negative. Though, the relationship is not significant but it is obvious that developed economies appear to benefit more from trade openness which is an important component of globalisation than the developing countries.

Again, the FDI relationship with economic development in the developed countries has been positive and significant. (see Rodrik, Dani 1997; Baldwin and Richard 2003; and Šliburytė and Masteikienė, 2010). In sharp contrast, the studies have shown that FDI do exhibit the normal positive relationship with the economic development of Nigeria but this relationship is not significant. This implies that the inflow of foreign direct investment as a result of economic globalisation is more in the developed countries than the developing countries.

Generally, findings from the study have shown that globalisation does not have significant impact on economic development of Nigeria. This shows that it appears that the effect of globalisation on Nigerian economic development has not been positive as expected. However, this has not deviated from the positions of some past empirical studies mentioned above. In addition when the granger causality test is considered it is obvious that there is a weak linkage between variables of economic globalisation and the economic development of Nigeria.

5. Conclusion and Recommendation

5.1 Conclusions

The study has shown that advantages accruing from globalisation to countries in the World are largely depended on the level of economic development of the countries. For instance this research work has shown that trade openness and FDI which are components of globalisation do not exhibit any significant impact on the economic development of Nigeria during the period under review. However, when the result is compared with findings of some authors in the past it was discovered that those studies that used developed economies as their case study found a positive and significant relationship between these globalisation variables that is trade openness and FDI and the economic development of the developed countries under review.

Another conclusion that can be drawn from the findings of this study is that it appears that it is the level of development of Nigeria that will indicate the volume of foreign direct investment that will flow into the country. The same goes for trade openness. The study indicates that the level of development of Nigeria as a country will dictate the level of outward orientation of Nigeria as a country.

A general conclusion that can be made from the study is that Nigeria as a country has not benefited adequately from the gains of globalisation. Further research shows that the reason behind this might not be unconnected with domestic political and economic instabilities that characterised Nigeria economy as a developing country. It also appears that trading partner of Nigeria are gaining more at the expense of the country going by the fact that trade openness is not having any significant impact on the development of the Nigeria.

5.2 Recommendations

Considering the findings form the research work the following recommendations are made:

(i) Improvement in the foreign direct investment: The study has shown that net inflow of FDI into the country is grossly inadequate to bring about any meaningful or significant impact of the development of Nigeria. Consequently, effort should be made by Nigerian government to increase the inflow of FDI into the country.

(ii) Factoring out appropriate level of trade openness: There is the need for improvement in trade relationship between Nigeria and other countries. Adequate measures should be taken to moderate trade relationship in Nigeria so that Nigeria can be benefiting more from any trade relationship with other countries. This may require trade restrictions in some aspects of production so as to encourage the domestic industries and promote the real sector of the economy generally.

(iii) Using appropriate policy mix that will increase gains from globalisation: Both monetary and fiscal policies variables used in the study fails to have any significant impact on the Nigerian economic development. Therefore, there is the need for appropriate policy measures that will have good synergy with globalisation. This might lead to improvement in gains derived from globalisation by Nigeria.

(iv) Development of the real sector of the economy: Improvement of the domestic output is sine qua non to economic growth. On this note, effort should be made to increase local production. This can be done by putting in place various physical, monetary and fiscal measures that will boost domestic output especially in the real sector of Nigeria economy. This will no doubt promote gains from globalisation in Nigeria.

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