Globalization and Development Backwardness of Nigeria: Ventilating a Suffocating Nation.

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ABSTRACT

Attempt to revive and strengthen Nigeria's economy over the past three decades has led to the implementation of some national and international economic policies. This study focuses on assessing the influence of globalization on Nigeria's economic backwardness. Specifically, two objectives were investigated; to examine the influence of trade openness (TRO) on Nigeria's economy and to investigate the influence of financial openness (FNO) on Nigeria's economy. The data used were extracted from the Central Bank of Nigeria (CBN) statistical bulletin and the World Bank. Both co-integration and Ordinary Least Square (OLS) techniques were used in data analysis. The findings of the study indicated that Trade openness (TRO) has a negative influence on Nigeria's economy. Results also showed that financial openness (FNO) had an inverse influence on Nigeria's economy. Based on these results, it was concluded that Nigeria was yet to gain from its embrace of globalization. It was however, recommended that Nigeria should improve upon its trade relations with its trading partners with relevant policies to give the country a chance of benefiting from globalization; it was also recommended that the government through the Central Bank of Nigeria (CBN) should speed up efforts at fully integrating the country's financial system with the rest of the world, to be in a position to gain from financial openness.

Keywords: Globalization, Financial Openness, Trade Openness, Economy, Nigeria

INTRODUCTION

Nigeria's agricultural prowess was well acknowledged before attaining independence in 1960. The production of agricultural goods forms the foundation of the economy and economic activity. During this time, the nation was at the forefront of the production and export of a variety of goods, including cotton, cocoa, groundnuts, palm oil, hides, and skin. A further fact was that the agriculture sector accounted for around 60% of the nation's GDP. However, the arrival of the oil boom caused the focus to shift from agricultural output to crude oil exports. Following this evolution, agriculture began to receive less attention and eventually was almost completely ignored. The improper exchange rate policy that impacted the prices of agricultural exports and made agricultural produce more expensive is to blame for this negligence. The unsuitable exchange rate policy that impacted agricultural export prices and made agricultural produce too inexpensive to encourage farmers to produce is to blame for this negligence. As a result, agricultural output lost its appeal and productivity declined.

To revitalize the economy, the Structural Adjustment Programme (SAP) was implemented in the 1980s, especially in 1986. The World Bank (WB) and the International Monetary Fund (IMF) employ the SAP program as a major reform initiative in developing nations to guarantee external control over their economies. The program acts as a prerequisite for IMF and WB financial assistance. Becoming an IMF member and meeting its requirements for trade liberalization, export-oriented policies, and public sector privatization were therefore prerequisites for becoming a WB member. Nigeria was essentially signed up for globalization by these issues.

There is no single definition of "globalization," even though it has been defined in several ways, Information Technology (IT) is a supporting player in the globalization process, which is driven by foreign investment and trade, claim Hauge and Magnusson (2011). Omojolaibi, Mesagan, and Nsofor (2016) claim that it illustrates a process of global integration that comes about as a result of the exchange of concepts and viewpoints regarding inventions and products. Usman and Gbadebo (2022) explicate that globalization encompasses various elements, such as economic, political, social, informational, and cultural aspects. However, globalization is a highly controversial economic concept (Ahmad, 2018).

The aforementioned indicates that the process of integrating economies across national borders through trade, money transfers, and the widespread use of information technologies and internet-based applications is known as globalization. As a result, there is an increasing level of integration and interdependence in the management, administration, communication, investment, and finance sectors of international trade. In broad terms, individuals consider globalization to be a good thing. This is predicated on the assertion that it fosters economic growth and progress; nevertheless, for the world's poorer nations, globalization seems to contradict this assertion. For instance, Nigeria's economy is deteriorating generally, and the country's debt load is rising. These data contradict predictions that, since the 1980s, the country has embraced globalization and made substantial strides toward economic development and prosperity.

With more than 70% of its people living below the poverty line, Nigeria is currently one of the world's poorest nations despite having a wealth of natural resources and huge economic potential. Furthermore, Nigeria appears to be burdened by the World Bank and IMF's standards when it comes to obtaining financial support to achieve its national economic goals. Thus, the primary issues at the center of Nigeria's economic quagmire are the SAP, capital flight, trade liberalization, export substitution, financial openness, and public sector privatization, all of which are mandates placed on the country by these organizations. It follows that Nigeria's continued struggle comes as no surprise. Given its natural resources and involvement in globalization, Nigeria is still in a precarious economic condition that chokes its existence. Inspired by this economic conundrum, this study looked into the impact of financial and trade openness, two essential elements of globalization.

Research Objectives

The main objective of this study was to investigate the influence of globalization on Nigeria's Backwardness economically. The specific objectives were:

1. To examine the influence of globalization-induced trade openness on Nigeria‘s economy
2. To investigate the influence of globalization-induced financial openness on Nigeri‘s economy.

Research Hypotheses

H_{oi}: There is no significant influence of globalization-induced trade openness on Nigeria‘s economy

H_{o2}: There is no significant influence of globalization-induced financial openness on Nigeria‘s economy.

LITERATURE REVIEW

Conceptual Literature

Todaro and Smith (2011), view globalization as a way by which the economies of the world become more integrated, leading to a global economy and increasingly, global economic policy-making. Globalization paints the picture of a world without borders, with greater economic integration that increases the standard of living of people across the world.

The concept of globalization has a unique theoretical framework. Looking at the current occurrences in the global economies, it has been shown that it will be difficult for countries to isolate themselves in a newly converging world.

For decades, Nigeria has been undergoing unsatisfactory performance in terms of economic growth. As a result, there is no progress in terms of reduction in the poverty level. In the era of globalization, it is believed by many developed nations that market openness is the key to solving the problems of underdevelopment; hence the essence of globalization is to move the economy toward external liberation, focusing on the market-oriented economic system strategy and stabilization of the economy (Shuaib, Ekeria, and Ogedengbe, 2015).

Trade openness is the liberalization of the exchange of goods and services across borders through increased integration among countries. These countries are joined together in terms of the free movement of capital and labor, and free foreign trade and finance (Igudia, 2004). It refers to the degree to which a country or economy permits or has trade with other countries or economies. The trading activities include that of import and export, foreign direct investment (FDI), borrowing and lending, and repatriation of funds abroad. Openness also indicates the dependence of the country on foreign trade (Godslove and Adaku, 2015). FDI inflow may stimulate exports from the domestic sector through industrial linkages or spill-over effects creating demand stimulus for domestic enterprise and promoting exports (Essays, 2018; Harding and Javorick, 2011).

Financial openness refers to the willingness of a nation to adopt liberalized policies regarding business and commerce (Kilic, 2015). It is a reflection of how much a participant, a member nation is in the “globalized” economy. The experience of financial openness is contrasted and analyzed in many scholarly articles with governmental expressions of the political good as well as stability and willingness to encourage and develop economic growth (Basco, 2014).

Theoretical Framework

This research was based on Modernization Theory. Walt Whitman Rostow created the hypothesis in the 1960s. the theory is a gradual shift from a pre-modern or traditional society to a contemporary society. It provides an understanding of how society is progressing. Its premise is that there is only one linear, continuous development taking place in the world, with a focus on Western and non-Western cultures. It takes social and cultural structures—and how they could encourage the use of new technologies—very seriously. It contends further that a nation’s economic development is essential to both its prosperity and development, and it also addresses national qualities that it claims contribute to underdevelopment. Moreover, it maintains that a liberal economy will increase prosperity through promoting free trade, free entrepreneurship, and productivity.

In a similar vein, it asserts that technical advancement and education were more important to a country’s riches than natural resources and endowments. Nigeria has embraced globalization since the 1980s. Nevertheless, the nation has not yet benefited from these characteristics of globalization. Due to trade and financial openness placed on participating countries by globalization, the influence appears to be increasingly negative as the economy deteriorates in practically all indices, unemployment, inflation, and exchange rates, among other areas. Nigeria has not yet reaped the full benefits of globalization.

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Empirical Studies

Empirical findings in this area have been mixed. For instance, Sede and Izilein (2013) investigated the relationship between economic growth and globalization in Nigeria. This study used the Granger Causality Method (GCM) of analysis. The findings indicated that globalization does not granger cause economic growth. Omolade *et al.* (2013), investigated the link between globalization and economic development in Nigeria. The study adopted Johansen cointegration and Granger causality tests and found that trade openness is inversely related to economic development in Nigeria. This study equally indicated a one-directional causality movement from economic development to globalization, but not vice-versa. This implied that Nigeria's trade partners were gaining more than the country, especially the developed trade partners. Utuk (2015), examined the impact of globalization on economic growth in Nigeria in terms of trade and capital flows from 1970 – 2011. Using descriptive analysis, the study revealed that increased trade and capital flows caused by globalization can enhance the country's growth performance. Ebong *et al.* (2014), also examined globalization and the industrial development of Nigeria. This study spanned the period between 1960 and 2010 while using the Johansen cointegration technique. The findings indicate that globalization had a significant impact on industrial development in Nigeria.

A study by Ahmad (2018) on globalization, economic growth, and spillover, using panel data from 83 countries showed that globalization has a positive effect on the economy with a business-friendly political setup. And such influence spillover to the neighboring economies. Shangquan (2000) suggested the interdependence of world economies through increasing cross-border trade and flow of capital, as well as the wider spread of technologies in a comparative manner. Bottery (2003) recognized the roles of IMF and WTO in improving the mobility of capital through information technology to facilitate international trade. To use the global trade system to enhance economic growth**.**

RESEARCH METHODS

In this study, secondary data were used. These data were sourced from the CBN Annual Report and Statement of Account, Central Bank of Nigeria statistical bulletin, and World Bank. The data used covered 1995-2018. While several studies utilized various methodologies in similar research, the present study made use of trade openness and financial openness using the following model:

$$HDI = f\,(TRO, FNO) \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots 1$$

$$HDI = \propto 0 + \propto 1TRO + \propto 2FNO + \varepsilon i \ldots\ldots\ldots\ldots\ldots\ldots 2$$

In the above equation,

Where;

HDI = Human Development Index (Represents Economic Performance)

TRO = Trade Openness

FNO = Financial Openness

ε = Error Term

DATA ANALYSIS AND DISCUSSION

Table 1: Unit Root Test

Augmented Dickey-Fuller Test					
Variable	At level	Prob.	First Difference	Prob.	Order of Integration
LogHDI	-2.720030*	0.0410	–	–	I(0)
LogTO	-1.638826	0.4502	-7.270149***	0.0000	I(1)
LoFO	-2.270615	0.1878	-7.434801***	0.0000	I(1)

Source: Results *Extracts (2023)*

****, **, and * denote 1%, 5%, and 10% significance levels at which the null hypothesis of non-stationarity is rejected for all tests. The intercept and trend and intercept are included in the levels and the first difference equations.*

In Table 1, the unit root test results indicated HDI as being stationary (I(0)). This is because the ADF statistic of -2.720030 is greater than the critical value at 10%. TRO and FNO are, however, stationary at the first difference (I(1)) as their ADF statistic is greater than their critical values at 1%.

Table 2: Co-integration Test

Null Hypothesis	Trace Statistic	0.05 Critical Value	Null Hypothesis	Max-Eigen Statistics	0.05 Critical Value
r=0*	43.30934	39.85611	r=0*	28.85833	27.08431
r£1	6.979126	17.49473	r£1	6.558033	14.96464
r£2*	3.921927	3.741462	r£2*	3.92190	3.741462

Source: Research Results *Extract (2023).*

Note: *r is used for some co-integrating vectors. The test is at a 0.05 level of significance.*

From Table 2, using the Trace and Max-Eigen value test, it was found that a long-run relationship existed among the studied variables. This is seen as their statistical value is greater than their critical values for co-integrating equations at a 5% significance level. The meaning of this is that there is a case of non-stationary time series co-integration. The OLS approach will therefore yield dependable results. The result is presented below:

Table-3: OLS Regression Result

Variable	**Coefficient**	**std. error**	**t-Statistic**	**Prob.**
C	0.298546	0.083382	3.580461	0.0040
LogTRO	-0.000937	0.000219	-2.937304	0.0013
LogFNO	-0.064301	0.008365	-7.686910	0.0000

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Adjusted R^2 = 0.782283 F-Statistics =32.67321 Prob (F-Statistics) = 0.000000

Source: *Data Results Extracts (2023)*

Table 3 presents the OLS result. In the table, the coefficient for trade openness (TRO) -0.000937 indicated that there existed an inverse relationship with the HDI. A comparison of the coefficient of TRO to its standard error indicates it is significant in model estimation. However, this is contrary to expectations. The result is contrary to Ebong *et al.* (2014), Utuk (2015), and Shuaib *et al.* (2015).

The outcome could be a result of the effect of fluctuating and worsening exchange rates which impacts trade. The result is that businessmen have found it rather difficult to carry on with their businesses while consumers find it difficult to buy goods and the economy generally suffers. In such a scenario, it is clear that Nigeria appears not to be benefiting from globalization, in this case, trade openness.

In the case of coefficient for the Financial Openness (FNO), an inverse relationship was established with the Human Development Index representing economic performance. While the value for FNO is significant when its coefficient (-0.064301) is compared to its standard error of 0.0083650, this negates expectation in the sense that globalization which advances financial openness should induce a positive influence. The inverse may be a result of the inability to fully integrate Nigeria's financial industry into the global financial system. A case in point is the reality that the majority of financial institutions, including banks and insurance firms among others are yet to have their subsidiaries outside Nigeria. Some that have such subsidiaries, do not have full-stream operations as they have only a limited range of operations. Thus, their impact is yet to be felt significantly. Thus, financial openness has yet to bring about a positive impact on the Nigerian economy from globalization as would be expected. The result is in line with Omolade *et al.* (2013) and Akor, Yongu, and Akorga (2012).

Going by the findings from the co-integration test and the regression result shown above, it could be observed that globalization has not been having a very significant influence on Nigeria's economic performance. Though there exists a long-run relationship linking both variables. Other links that this study has exposed suggest that such a long-run nexus may be weak since the various components of globalization do not reveal any enormous influence on economic performance.

CONCLUSION

This study was conducted to investigate the influence of globalization on the economic backwardness of Nigeria. Results from the study indicated that trade openness and financial openness which are major components of globalization have a negative influence on economic performance in Nigeria. In particular, trade openness was found to have a negative influence on the country as it appears the country's economic situation has not improved but is worsening by the day despite embracing globalization. This can be seen in the activities of IOCs. Nigeria is supposed to use what it has to get what it does not have rather than pay for what it has. This negative trend resulted in a deficit balance of payment. From the analysis results it can be deduced that trade openness as a result of globalization is a curse rather than a blessing to Nigeria. It suffocates the economy's foreign exchange and weakens industrialization. Many otherwise companies that would have had branches in Nigeria are operating off the shore and sending their products to Nigeria. Similarly, the country's financial openers indicated a negative influence on its economy implying that the country has not improved upon its financial and economic situation even with its embrace of globalization. These issues have not made Nigeria better off. Rather they make the country experience a worsening economic situation. However, appropriate policies and initiatives may turn the situation around for the better.

RECOMMENDATIONS

Based on the findings of this study, the following recommendations are made:

1. It is recommended that trade relations and trading activities should be improved between Nigeria and its trading partners with relevant policies. To achieve a favourable balance of payment and achieve economies of scale, Nigeria should prioritize local content and local production to boost the export and consumption of Nigeria's goods and services. A nation that abandons its enormous natural resources and focuses on the consumption of foreign goods and services is like a walking corpse.
2. Moreover, exchange rate management must be prioritized by the government because of its impact on the economy. That's if the government cannot push for production, the last resort is to control foreign exchange rates using sound fiscal and financial policies at its disposal.
3. It is also recommended that the Central Bank of Nigeria (CBN) should speed up efforts at fully integrating the country's financial system with the rest of the world. In particular, CBN's future policy direction should focus on creating an enabling operating environment for Nigerian banks to operate globally through their subsidiaries and strategic alliances to gain from financial openness.

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CONFLICT OF INTEREST

This paper titled, "Globalization and Development Backwardness of Nigeria: Ventilating a Suffocating Nation" is a research article by Inwang Isaac Udofia and Johnson O. Odohoedi, and Dr. Victoria Sunday Umana. The authors are seasoned Business Management researchers at the University of Uyo, Nigeria. This paper, tile, and major work were conceived and prepared by us, with the help of the supervisor.

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Research materials, journals, books, and field data have been subjected to reference checks and were properly documented using American Medical Association (AMA) citation guidelines, without failure to acknowledge sources.

In summary, we hereby affirm that there is no conflict of interest about the originality and ownership of this research work.

Yours Sincerely,

Inwang Isaac and Johnson Odohoedi
(authors)
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