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Full Length Research Paper

Impact of Globalization on Nigerian Economy

Felix Uchechukwu Konyeaso

Nurul-Bayan International Academy, Abuja, Nigeria.

Email: feluptity@yahoo.com

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Abstract

Globalization is an inevitable phenomenon in human history that's been bringing the world closer through the exchange of goods and products, information, knowledge and culture. In the last few decades the pace of global integration has become even faster due to the advancement of technology. Nigeria is not an exception in this globalization process. With the role of providing natural resources, Nigeria has become one of the largest oil producers. The purpose of my study was to find out the kind of impact globalization is having on Nigerian economy, and to suggest better ways of approaching this phenomenon. In order to conduct this research I examined already existing materials that deal with similar topics. I have undertaken a quantitative method of data collection from 1986 to 2013. My data analysis technique was multiple regression analysis. My model has established that there is a positive relation between globalization and economic growth. It is in agreement with my prior expectation. Hence I rejected the null hypothesis and accepted alternative hypothesis. This made me come to the conclusion that Nigerian economy is gaining from globalization mainly due to Foreign Direct Investment (FDI) and trade openness. Since Nigeria has opened up to international trade and foreign investment it has achieved a better economic growth. Thus, for Nigeria to benefit more from globalization we needs to integrate further into international trade by diversifying our exports. A better business environment is also required to attract more foreign investment.

Keywords: Nigeria, globalization, economy.

INTRODUCTION

Background to the Study

With the advent of globalization and especially since the end of World War II, the World has become a much smaller place where interaction between different countries has led to a situation where a country's economy and development are not only in the hands of the ruling Government but is highly influenced by international organizations and international trade where international rules and legislations reign. Globalization is a highly controversial process which has come under much criticism in its current capitalist form and comes to a surprise to Economists and Policy makers who are highly convinced of the benefits this form of globalization can bring to the developing world (Jelilov, Gylych; Kachallah Ibrahim, Fatima; Onder, Evren, 2016).

The effects of globalization can be seen on Economic Development within a country. Many highly globalized Developing countries have not been able to profit from globalization and are still facing the same problems they have been facing for many decades. Western organizations have throughout the years increased their commitments in developing countries due to this being more profitable for them. One reason is due to the large quantity of resources found in these parts of the world. However, looking at the current situation in Nigeria, it's commonly believed that Economic Development has not attained the results which one would have hoped for despite the high degree of trade openness (Jelilov, Gylych; Onder, Evren, b 2016).

For decades, Nigeria has been experiencing disappointing performance in terms of economic development. As a result there is no improvement in terms of reduction of poverty level. In the era of globalization it is believed by many developed nations that market openness is the only way to solve the problem of under development. The essence of globalization 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 program 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 (Bokhari and Del Duca 2008).

Today we have two main views on globalization one given by anti-globalists and the other by supporters of globalization or simply globalists.

The anti-globalists view globalization as controlling and influencing force used by overseas corporations to dominate international trade. This criticism has given rise to theories such as Dependency Theory and Neo Colonialism. It is viewed as means of keeping developing countries exactly that. Low paid workers, GM seed pressed on developing world farmers, the selling off of state owned industry in order to qualify for IMF and World Bank loans and the increasing dominance of Western corporate culture across the globe has come to symbolize globalization for its critics (The Guardian, 2002).

However not everyone agrees that globalization is evil. According to globalists globalization is the only true way to beat poverty. They argue that foreign direct investment will help developing nations to industrialize, create jobs, and acquire manufacturing skills. According to the Chancellor of the Federal Republic of Germany (2007) globalization presents huge opportunities for emerging economies by bringing jobs and business opportunities to areas which would have otherwise struggled economically (Jelilov, Gylych; Chidigo, Mary; Onder, Evren, 2016).

Since we assume that globalization brings economic development it is important to explain what development means in economics. Economic development has been used with other terms such as growth, modernization, westernization and industrialization. It is, in other words, a transition from a simple, low-income economy to a modern, high- income economy. Its scope includes the process and policies by which a nation improves the economic, political, and social well-being of its people. Though it is often measured by rate of change of gross domestic product, it is generally understood in terms of increase in per capita income, and attainment of a standard of living equivalent to that of industrialized countries.

Economic growth implies a change in the way goods and services are produced, not merely an increase in production achieved using the old methods of production on a wider scale. It also involves improvements in a variety of indicators such as literacy rates, life expectancy, and poverty rates. In addition to increasing private incomes, economic growth also generates additional resources that can be used to improve social services such as healthcare, safe drinking water etc (Jelilov, Gylych; Muhammad Yakubu, Maimuna;, 2015).

For the purpose of this research it is also necessary to point out how the basic international organizations classify economic development of varicose countries. It is important because much in the globalization process depends on these international institutions. Several international agencies including the Organization for Economic Cooperation and Development, and United Nations, offer classifications of countries by their economic status, but the best known system is that of the International Bank for Reconstruction and Development, More commonly known as World Bank. In the world Banks classification system, 210 economies with population of at least 30,000 are ranked by their levels of gross national income per capita. These economies are then classified as Low Income Countries (LICs), lower middle income countries (LMCs), upper middle income countries (UMCs), higher income countries (OECD), and other high income countries (Jelilov, Gylych; Onder, Evren;, a 2016).

With a number of important exceptions, the developing countries are those with low, lower-middle, and upper-middle incomes. These countries are usually grouped by their geographic region. The most common cutoff point for this categories are those used by the World Bank: Low income countries are defined as having a per capita gross national income in 2008 of $975 or less; lower middle income countries have income between $976 and $3,855; upper middle income countries have income between $3,856 and $11,906; and high income countries have incomes of $11,907 or more. Sometimes a special distinction is made among upper middle income or newly high income economies, designating some that have achieved relatively advanced manufacturing sector as newly industrialized countries (NICs). Yet another way to classify nations of developing world is through their degree of international indebtedness. The World Bank has classified countries as severely indebted, moderately indebted, and less indebted. The United Nations Development Program (UNDP) classifies countries according to their level of human development, including health and education attainments as low, medium, high and very high (Jelilov, 2016).

Another widely used classification is that of the least developed countries, a United Nations designation that of 2010 included 49 countries, 33 of them in Africa, and 15 in Asia, plus Haiti. For inclusion, a country has to meet each of three criteria: low income, low human capital, and high economic vulnerability, Other special UN classifications include landlocked developing countries (of which there are 30, half of them in Africa) and small island developing states (of which there are 38). According to Internet (World Bank) research, the latest value for GNI per capital, in Nigeria was $1,230 in 2010. Over the past 48 years, the value for this indicator has fluctuated between $100 in 1962 and $1,230 in 2010. With this figure, Nigeria is believed to be a developed country. The World Bank definition can portray a country to be rich while vast majority are wallowing in abject poverty. In the case of Nigeria, the index can lead to economic growth with attendant high rate of unemployment and under-employment. The index tends to widen the gap between the rich and poor in the society. The World Bank definition focuses more on money only as the yardstick for measuring development when there are other things besides money that can make life feel more abundant, such as provision of good and accessible medical care, schools, infrastructural amenities etc.

Looking at the current situation in Nigeria, we can point out a lot of problems that slow down economic development in. Some of these problems include:

i). The economy is controlled by the government and its monopolistic cronies.
ii). Nigeria only produces primary commodities such as cash crops, cocoa, sugar cane, crude oil, palm kernel but does not has the strength to refine them into finished goods. Nigeria exports natural resources to developed countries for final production into finished goods.
iii). There is still high rate of unemployment in the land. Every month, thousands of graduates are still joining the unemployed graduates.
iv). Nigeria has high level of illiteracy which indicates poor human capital.
v). The government has failed to provide proper infrastructure, which could boost economic activities.
vi). Over the years Nigeria has experienced different ethnic and religious clashes. This has led to terrorism and insecurity within the country. Today the possibility of having a divided Nigeria is very much likely to happen.
vii). Poverty in Nigeria remains significant despite high economic growth. About 63% of people live on $1 a day. The gap between the minority rich and the majority poor is big and still growing.
viii). Nigeria has been ranked as one of the most corrupt countries n the world. Most of the problems in Nigeria are being attributed to corruption.

All of the above points indicate that even though Nigeria has a high per capita income, we cannot look at it as a developed nation. For this reason I will not be using the definition of Economic Development given by the World Bank which uses money to measure development (Jelilov, Gylych; Musa, Muhammad;, 2016). After searching through the literature I found that the following definition of Economic Development would be best suited for me due to its compatibility with my analysis of a third world country, “The process of improving the quality of human life through increasing per capita income, reducing poverty, and enhancing individual economic opportunities. It is also sometimes defined to include better education, improved health and nutrition, conservation of natural resources, a cleaner environment, and a richer cultural life” (Penn State University 2008).

Statement of the Problem

Globalization essentially, is a marriage among unequal partners (Ishmael Ogboru). It involves a relationship between developed and developing nations, in which the former is a stronger partner benefiting from this relation, at the expense of the latter being weaker. In the Western World globalization is viewed as a phenomenon which has a positive influence on developing countries. But most developing nations are still far from reaping the benefits of globalization. Therefore the question of whether globalization brings development is debated among different economists. In this research I will focus on how globalization has impacted on domestic Economic Development in Nigeria and how its impact can be looked upon.

Research Question

i). Can globalization be seen as positive or negative for Economic Development of Nigeria?
ii). What is the role of Nigerian in a global world?
iii). Is Nigeria better off or worse off with globalization?
iv). How can Nigeria achieve more if we decide to integrate further with the rest of the world?

Research Objective

i). The purpose of my study is to:
ii). Show the impact globalization has had on Nigerian economy.

iii). To determine role of Nigeria on a global stage.
iv). To determine how Nigeria can achieve higher development in today's rapidly globalizing world.

Statement of Hypothesis

H0-Globalization has no impact on development.
H1-Globalization has a positive impact on economic development.

Scope of the Study

1986-2014

I chose to collect my data for analysis from 1986 because this was the year of Nigerian Structural Adjustment Program.
Under World Bank structural adjustment, the government tried to eliminate inefficient state intervention and obtain budgetary relief by abolishing agricultural commodity marketing boards and liberalizing cash-crop exports. These measures, together with devaluation, increased the naira prices of export crops, especially cocoa. The state also privatized many public enterprises by selling equity to private investors, while restructuring other parastatals to improve efficiency. The federal government encouraged private investment in the late 1980s, allowed foreign ownership in most manufacturing, and liberalized and accelerated administrative procedures for new investment.

In August 1985 the government at a time of depressed oil prices, undertook its structural adjustment program between 1986 and 1988. In September 1986, the government introduced a second-tier foreign exchange market (SFEM), sold on auction for a near equilibrium price and used for export earnings and import trade requirements. Under SFEM, the naira depreciated 66 percent to N1=US$0.64 (N1.56=US$1), and declined further in value through July 1987, when the first and second tiers were merged. When adopting the SFEM, Nigeria abolished the ex-factory price controls set by the Prices, Productivity, and Incomes Board, as well as the 30 percent import surcharge and import licensing system. It reduced its import prohibition list substantially and promoted exports through fiscal and credit incentives and by allowing those selling abroad to retain foreign currency. Although this action opened the way for an IMF agreement and debt rescheduling, the military government declined to use an allocation of Special Drawing Rights in IMF standby funds (Jelilov, Gylych; Abdulrahman, Samira; Isik, Abdurahman;, 2015).

Meanwhile, the naira continued depreciating, especially after the relaxation of fiscal policy early in 1988. The effect of the SFEM in breaking bottlenecks, together with the slowing of food price increases, dampened inflation in 1986, but the easing of domestic restrictions in 1988 reignited it. Real interest rates were negative, and capital flight and speculative imports resumed. In 1989 the government again unified foreign exchange markets, depreciating--but not stabilizing--the naira and reducing the external deficit. Manufacturing firms increased their reliance on local inputs and raw materials, firms depending on domestic resources grew rapidly, and capacity utilization rose, although it was still below 50 percent. Concurrently, nonoil exports grew from US$200 million in 1986 to US$1,000 million in 1988. This amount, however, represented only 13 percent of export value at the level of the 1970s, and cash crops like cocoa dominated the export market. Large firms benefited from the foreign exchange auction and enjoyed higher capacity use than smaller ones. Despite dramatically reduced labor costs, domestic industrial firms undertook little investment or technological improvements (Jelilov, Gylych; Kalyoncu, Huseyin; Isik, Abdurahman, 2015).

Structural adjustment was accompanied by falling real wages, the redistribution of income from urban to rural areas, and reduced health, education, and social spending. The decrease in spending on social programs contributed to often vociferous domestic unrest, such as Muslim-Christian riots in Kaduna State in March 1987, urban rioting in April 1988 in response to reduced gasoline subsidies, student-led violence in opposition to government economic policies in May and June 1989, and the second coup attempt against General Babangida in April 1990.

Limitation of the Study

My of the limitations of this study include:

i). The time I have at my disposal is limited. As a result I will not be able to carry out an extensive research.
ii). There are several variables of economic development I could have chosen for my research. However due to my time limit I was not able to carry out such an extensive research which could have given me a different answer.
iii). And as a final point I will like to mention that the sources of information available to me come mostly from the internet. The literature and data gathered for this research gotten from the online journals, books, and previously done researches. To get my quantitative data I also used the website of National Bereu of Statistics.

LITERATURE REVIEW

Conceptual Review

I will start this chapter with the literature review of key terms of my work and their relation to each other.

Globalization

In this section I will give a short explanation of what is globalization, its roots, and why it is important for economic development. I will then define globalization, by giving definitions of different authors. The last part will deal with view on globalization in regard to its advantages and disadvantages.

Brief History of Globalization

Globalization is not a new concept. The interaction between people in different parts of the world has been taking place for thousands of years. A very good example of this interaction is a Silk Road, which connected Asia, Africa, and Europe. Philosophy, religion, language, the arts, and other aspects of culture spread and mixed as nations exchanged products and ideas.

In the 15th and 16th centuries the Europeans made important discoveries such as transatlantic travel and the discovery of the New World-America. This shows that globalization cannot be seen as a new process even though the speed of globalization has increased phenomenally in the last decades. This increase has been facilitated by improved technology in areas of transportation and communication.

Definition

There are numerous attempts by different authors to define the term globalization. Often one particular dimension acts as a key to each of the definition– for instance, a politically-centered definition may underscore the decline of the nation-state and the territorially-bounded societies that formed the grounding unit of analysis of modern political science, sociology, and international relations; while economically-centered definitions may underscore capitalism and the expansion of the free-market system as the key mover of globalizing processes.

For some, globalization is best understood as a legitimating cover or ideology, a set of ideas that distorts reality so as to serve particular interests (Barrett, 1991). Thus Schirato and Webb (2003: 199) view 'globalization' as a 'discursive regime, a kind of machine that eats up anyone and anything in its path'. They suggest that 'globalization functions as a set of texts, ideas, goals, values, narratives, dispositions and prohibitions, a veritable template for ordering and evaluating activities, which is "filled in" or inflected with the interests of whoever can access it' (Schirato and Webb, 2003: 200). For others, globalization is a much more 'material' reality in the contemporary world. Sometimes, as mentioned, this reality is viewed as dominated by one particular dimension as, for instance, in the following definition from The Social Sciences Encyclopedia (Kuper and Kuper, 1996: 234) which privileges economics: 'The development of the world economy has a long history, dating from at least the sixteenth century, and is associated with the economic and imperial expansionism of the great powers. By globalization we refer to a more advanced stage of this process of development'. Langhorne (2001: 2), meanwhile, accents the proliferation of technology: 'Globalization is the latest stage in a long accumulation of technological advance which has given human beings the ability to conduct their affairs across the world without reference to nationality, government authority, time of day or physical environment'.

For others, a more general definition of globalization is in order. The Dictionary of Social Sciences (Calhoun, 2002: 192) offers the following conceptualization: globalization is 'A catch-all term for the expansion of diverse forms of economic, political, and cultural activity beyond national borders'. According to Hewlett & Ramesh, (2006, p.175). "It is often used to explain the development of economically underdeveloped countries because it is assumed to help economic growth" (Wohlmuth, 2001, p.20). However, this last statement is not always true as Wohlmuth (2001) himself explains in his book that weaker States are often hindered in their growth because of the effects of globalization. By using the above definitions we can see that globalization is a network of organizations across nations therefore accentuating the importance of international relations. It has often been seen as a purely economic aspect however, globalization also comprises cultural, political and ideological relations. Although globalization is often used to explain the development of under developed countries, the effects of this concept are not always as positive as may seem (Jelilov, Gylych; Waziri, Fadimatu; Isik, Abdurahman; 2016).

Advantages of Globalization

i). Resources of different countries are used for producing goods and services they are able to do most efficiently.
ii). Consumers to get much wider variety of products to choose from.
iii). Consumers get the product they want at more competitive prices.
iv). Companies are able to procure input goods and services required at most competitive prices.
v). Companies get access to much wider markets
vi). It promotes understanding and goodwill among different countries.
vii). Businesses and investors get much wider opportunities for investment.
viii). Adverse impact of fluctuations in agricultural productions in one area can be reduced by pooling of

production of different areas.

Disadvantages of Globalization

i). Developed countries can stifle development of undeveloped and under-developed countries.
ii). Economic depression in one country can trigger adverse reaction across the globe.
iii). It can increase spread of communicable diseases.
iv). Companies face much greater competition. This can put smaller companies, at a disadvantage as they do not have resources to compete at global scale.

GLOBALIZATION AND NIGERIA'S ECONOMIC

Development

Globalization is a very uneven process with unequal distribution of its benefits and losses. This imbalance leads to polarization between the developed countries that gain, and the developing countries that lose out (Obadan, 2001). In this regard, the place of Nigeria in the globalization agenda requires some in-depth study. To begin with, Nigeria is economically weak due to inadequate domestic economic capacity and social infrastructure needed to boost the country's productivity, growth and competitiveness. Secondly, the economy is made weaker by monoculture dependency and unfavorable terms of trade in its export trade as well as excruciating debt and debt service burdens. And thirdly, before 1986, economic regimes were regulated and the country pursued expansionary fiscal and monetary policies in its development efforts (Obadan, 1998). These problems were exacerbated by political instability and corruption. As a result, investment choices were distorted, which eroded the confidence especially of foreign investors. Following the globalization trend, Nigeria has been liberalizing its economy. But the real sectors have had to function under conditions of unstable macroeconomic management, inadequate technology and credit facilities. These have proved to be an obstacle to strengthening the productive base, especially of agriculture and industry, in order to make them export-oriented. Thus, in spite of the openness of the economy, external trade performance has not been encouraging.

A study shows that oil exports dominate Nigeria's foreign trade by 80 per cent. Food, agricultural raw materials and manufactures accounted for only 1 per cent of total export in 1990, but this fell to 0 per cent in 2000. In between that period, the country never exported ores and metals (World Bank, 2002). As a monoculture exporter, over 80 per cent of Nigeria's exports is made up of crude petroleum. But instability in the world oil market sometimes negatively affects oil exports, leading in such circumstances to declines in foreign exchange earnings. This partly explains the country's recourse to external funding in order to meet its development challenges.

But external borrowing exposes Nigeria to indebtedness, which reached 29.8 billion dollars in 2002. The servicing of this debt depleted the national treasury by 1.2 billion dollars out of 10.7 billion dollars foreign exchange earned that year (Central Bank of Nigeria, 2002). Even more worrisome is the ratio of this debt to gross domestic product (GDP) and export earnings. In 1985, the total debt stock was 710 billion naira, which corresponded to 1 per cent and 6 per cent of GDP and export earnings respectively. In 2001, the country's external debt had risen to 3.2 trillion naira, which was 56 per cent of GDP and 633 per cent of export earnings (Jelilov, 2015).

Financial market liberalization also exposes the country to volatility and shocks. Yet, access to credits is granted to the country under strict conditionality. Moreover, the shortfalls in servicing Nigeria's debt have led Export Credit Guarantee Agencies (ECGA) to suspend insurance cover for export of goods, services and investment to the country. Nigerian importers are also required to provide 100 per cent cover for all their order. As such, they are placed at competitive disadvantage to those who have access to ECGA covers and import credit facilities (Debt Management Office, 2001). This situation exacerbates the pains of the external debt and hampers the inflow of foreign resources needed for the stimulation of investment and growth.

FDI inflows to Nigeria amounted to 588 million dollars in 1990. This rose to 1,079 million dollars in 1995, but declined to 930 million dollars in 2000 (UNCTAD, 2002b). Worldwide FDI in 2001 were 823.8 billion dollars and Nigeria attracted only 1.1 billion dollars or 0.13 per cent of that amount. Although global FDI declined to 651.2 billion dollars in 2002, Nigeria increased her share to 0.19 per cent of such investments as she attracted 1.3 billion dollars of FDI that year (UNCTAD, 2003b). However, that share is meager and it is explained by the peripheral position of the country in the financial and profit calculations of industrialized nations and the country's marginalized status within the orbit of modern capitalism.

At the moment the role of Nigeria in the global economy is being the exporter or raw materials, especially crude oil, and importer of finished goods from the West. In this connection, Stewart (2002) maintains that the need of developed nations to sustain the import capacity of peripheral economies in order to facilitate continued production and maximize profits at the center explains why in the periphery countries raw material exports are encouraged. In that event foreign exchange receipts are low, which makes external loan contraction inevitable for social and economic development. Nigeria is no exception to this rule. But then, contracted debts due for repayment, which the country cannot actually pay, are only being reprogrammed, not written off because their continued servicing helps to maintain financial stability at the center.

According to Onwuka and Eguavoen globalization can be of immense benefit to Nigeria and so could help the country's development. The enabling framework would include measures to ensure the entry of Nigeria's non-oil exports into the core markets without discrimination. In this regard, the diversification of domestic production is imperative. The unsustainable debt, which weighs the country down economically also needs to be tackled with faster and deeper debt relief by developed nations, while expanded development cooperation with them would strengthen the productive base of the Nigerian economy. The international financial architecture also requires be broadening and deepening through global solidarity that would see increased inflows of foreign investments into the country. This accomplished, globalization would contribute to enhancing the living standards of Nigerians as the country joins the League of Nations enjoying the benefits of that process.

Theoretical Review

The theory of globalization today is a field of intensive and multidisciplinary debate. Attendees are numerous, and often opposing views of the mentioned phenomena. The theory of globalization is a very wide area of research, and composed of contributions from many authors. Therefore, it is necessary to systematize understandings of globalization. This multidimensional phenomenon is being differentiated into three courses of analysis:

1. Hyper-globalist
2. Transformationalists
3. Skeptics

By hyper-globalists, globalization is viewed as a legitimate and irrepressible historical process, which leads to a world order based on the market and supranational institutions. Globalization presents a new era in the development of civilization, without precedent in the course of human history. This process is referred to as progressive and socially desirable. It is also stressed that the intensity and dynamics of current changes in the economy lead to changes in core framework of social action (Held, McGraw, 2007, p. 5).

Guided by the self-enforcing growth of global markets and technological progress, globalization inexorably destroys all previously established hierarchical structures. The role of the nation-state in this context is also significantly diminishing. Multinational corporations concentrate vast resources, and become the main carriers of economic activity on a global level. This creates a global civilization in which the market is integrated on the world level, multinational companies are becoming major actors in the economic process and international institutions substitute the role of national states. Multinational companies have fundamental influence on the economy and represent natural response to the "borderless" economy that is characterized by homogenous consumer tastes. These companies crowd out national models of economy as relevant units of economic activity (Ohmae, 1990).

Hyper globalists conceive globalization as a process, which has the internal logic and predictable outcome, the global society based on a fully integrated market. In other words, all the variety of heterogeneous cultures withdraws in front of the unique social pattern, based on markets and institutions derived from the radically liberal cultural framework. In this sense, a well-known assumption about the "end of history" is generated, which implies that the modern, global capitalism with liberal democracy as the political framework, represents the last word of socio-economic evolution (Fukuyama, 1992).

Transformationalists (Giddens, Scholte, Castells, Walerstein) are more moderate in terms of emphasis of ubiquity and linearity of the globalization process, as well as assessing of progressivism of its effects. But they do not accept skeptic thesis about globalization either. For them, changes in the organization of society that globalization brings are the growing overall integration and acceleration of socioeconomic dynamics through "compression" of space and time. However, their approach is multidimensional, taking into account mechanisms of globalization other than economic ones. In this sense, a sociologist of modernism, Anthony Giddens, considers globalization as a phenomenon shaped by forces of "modern" capitalism: politics, military power and industrialism (Giddens, 1990). These forces are the sources of dimensions of globalization. Four basic dimensions of globalization are world capitalist economy, system of national state, world military order and international division of labor. The specified dimensions of modernity have enabled western countries to become the leading force in the world. Spreading dimensions of modernity, according to Giddens, to all countries in the world is identified as the process of globalization.

However, another sociologist of modernity, Beck, believes that the unintended effects of modernity forces are global risk and the new global threat. In order to overcome the risks, as important dimension of reality, it is necessary to create institutions of democracy and cosmopolitan confidence. Without it, globalization represents only a facade for the game of imperialist powers. There are also opinions that the liberal economic policy, which is inseparable from globalization, creates political backlash by groups whose interests are negatively affected. It is difficult to predict how much and in what direction will this political backlash influence future developments in the global economy (Heileiner, 2006, p. 85). Transformationalists take up much more moderate position in terms of progressivity and outcomes of globalization, when compared to hyperglobalists. Globalization is not linear-progressive in character, but represents a stream of capitalistic development, subject to cycles and probabilism. The underlying influence of globalization on socio-economic trends is not questioned, but its final effects are considered uncertain. In this sense, such an understanding of globalization is not deterministic.

The third group of theoreticians, who expressed skepticism with regard to ubiquity of the process of globalization, is also characterized by the criticism towards globalization. In that sense they emphasize that the level of integration and openness of today's economy is not unprecedented. International trade and capital flows were more important relative to GDP in the pre-1914 period (the first wave of globalization) than in the contemporary economy (Hirst, Thompson, 2003). Also, instead of a destructible character of globalization in relation to the hierarchy and the nation-state, they emphasize the significant role of national economies in pursuing economic liberalization and promotion of cross border activity. The creation of regional blocks as the essential characteristic of the world economy offers argumentation that the world economy is less integrated than it was in the late nineteenth century (Held, McGraw, 2007, p. 5). Within this direction of thought, assessments of the non-sustainability of the current unification of the world are also present, because it raises radical resistance within individual cultures, which in the end can lead to a conflict of civilizations (Huntington, 1999). In short, skepticism is expressed both in terms of impacts of globalization and its ubiquity, as well as in terms of sustainability of unification influences which it produces. Another classification of globalization theories is that of structural conjunctural social-constructivist.

Empirical Review.

Onyeonoru (2003) in his study, “globalization and industrial performance” aimed to verify if the globalization project was associated with a process of de-industrialization. The methodology used in carrying out his objective was Radical organization Theory outlined by Burell and Morgan. It was selected for its usefulness for explaining the relationship between the economic crisis and macro socio economic element of globalization. The food, beverage and tobacco industry was selected as the case study. The findings of his research theory are that, the globalization activities in the structural adjustment program (SAP) period accounted for the depreciation in the value of the naira. The steep devaluation of the naira during SAP period introduced high rate of inflation, which adversely affects industrial operations-especially in the manufacturing sector. The conclusion of his study is that globalization programmers have been associated with a period of de-industrialization.

Aluko *et al.,* (2003) in their study “globalization and the manufacturing sector: a case study of selected textile firms min Nigeria” aimed to examine the impact of globalization on the manufacturing sector in Nigeria, and then, suggested appropriate socio- economic reform measures of that will enable the country benefit maximally from the current globalization trend in the world economy. A case study approach was applied and three textile mills were selected as case studies. Data was collected by means of pre- tested questionnaire. From the analysis above, it was observed that Association of Nigeria (MAN) Report, (1996) stated that capacity utilization for the manufacturing sector fell below 40% of installed capacities. In conclusion, it was stated that for a country to maximally enjoy the benefits and minimize the risk associated with globalization, it as to develop and strengthen its capacity to timely identify both internal and external shocks, and to initiate, design and implement appropriates policies to forestall their destabilizing efforts.

Ihonvbere (2002) in his study, ‘’how is globalization doing?’’ that globalization is a myth construed by capital at the expense of corrupt and weakened politician and government to commercialized and privatized all spheres of human activity. The methodology adopted in carrying out his study was thorough research through World Wide Web. He found out that globalization is not doing well. Ihovbere opined that rather than improve on social, political and economic condition, globalization has increased; poverty in both rural and urban areas; real earning fell drastically; unemployment and underemployment rose sharply; hunger and famine became endemic; dependence on food aid and food import intensified; disease, including the dreaded HIV/AIDS decimated population and became a real threat to the very process of growth and development. Moreover, because of the inadequate response and realistic strategies to tackle the problems listed above, Ihonvbere concluded that globalization is not doing well.

Stigliz (1998) in his study, “globalization and its discontents” averted that globalization has a large potentials for the world economy and can be of huge benefit to under developed countries and even a viable plan for the development of underdeveloped economies of the world suggesting various reform of the international economic and financial institution and a fundamental transformation of the governance process of especially under developed countries as a necessary condition for a positive impact of globalization on the development process of under developed countries. The methodology used was United Nation Data Report. He found out that the reforms mentioned above are contingent on the developed economies that are satisfied with the ways and manner globalization is being conducted and have being active in sustaining it. He concluded that the artificial construction of world economy by the industrialized countries is meant to serve the purpose of economic and political dominance of the group of industrialized countries, over the countries, but they need to establish a convergence among them in order to minimize the likely effect of undermining each other.

Theoretical Frame Work

The concept of globalization has a very sound theoretical framework. The promotion of global trade was first started by mercantilists in early 16th century. They were engaged mainly in commercial activities in order to attain favorable balance of trade. 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 theory 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 favor 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.

METHODOLOGY

Research Methodology

In order to approach my research topic I have examined documents already dealing with the research issue, those documents include several forms of written materials. Therefore I was able to choose between the two different methods of collecting data namely a qualitative approach and a quantitative one. The former approach deals with descriptions. Data collected can be observed but not measured. On the other hand quantitative approach deals with numbers. Its data can be measured and hypothesis can be concluded.

Data Collection Method

For the purpose of my research I am undertaking a quantitative method of data collection. The reason why I chose this method is because it allows for a broader study, involving a greater number of subjects, and enhances the generalization of the results. It can allow greater objectivity and accuracy of results. This is generally, quantitative methods are designed to provide summaries of data that support generalizations about the phenomenon under the study. In other to accomplish this, quantitative research usually involves different variables and few case studies, and employs prescribed procedures to ensure validity and reliability.

Using these standards means that the research can be replicated, and then analyzed and compared to similar studies. Kruger (2003) confirms that quantitative methods allow us to summarize vast sources of information and facilitate comparisons across categories and over time. Personal bias can be avoided by researchers keeping a distance from participating subjects and employing subjects unknown to them.

Techniques of Data Analysis

The technique of data analysis used in this research is multiple regression analysis. Multiple regression model involves one dependent and two or more independent variables. In this case I chose GDP as my dependent variable because it can be used to indicate the economic growth. My independent variables which determine the GDP in relation to globalization are inflation rate, exchange rate, foreign direct investment, interest rate, trade openness (export-import). It is expected that this independent variables will influence the economic growth of the country.

Model Specification

The link between globalization and economic growth is verified using an aggregate production function framework following Lucas (1988).

The variables used are as follows:
RGDP(Y) = Real gross domestic product
INFL (X1) = inflation
IMPT(X2) = import volume
EXP(X3) = export volume

EXR(X4) = exchange rate
INTR(X5) = interest rate
FDI(X6) = foreign direct investment
μ = Random Error
ln= natural logarithm
α = are parameters to be estimated
Y= F (X1, X2, X3, X4, X5,)
Y= F (lnX1. ln X2,ln X3…….lnXn)- Semi-log equation
LnY=F (lnX1,ln X2,ln X3……lnXn)- Double-log equation
LnRGDP= Ln αINFL+Ln αFDI+ Ln αEXR + Ln αINTR + (Ln αEXP - Ln αIMPT)

Interpretation of the results

From the coefficients of the analysis, it shows that the high inflation rate has a negative relationship with the GDP. The level at which the inflation is has adverse effect on globalization. An increase in the GDP is as a result of 0.68% rises in the foreign direct investment, this shows that the globalization can bring about economic growth. The exchange rate and interest rate have negative values which from the data available show that both variables have been increasing but with negative effect on the economic growth. The balance of payment is in deficit due to the excess import over export as seen in the data above. This is because Nigeria like many other developing countries exports raw materials and imports finished goods which have a higher added value. The country also renders foreign services especially in construction sector.

The Coefficient of Determination (R2)

This shows that about 91% of the total variations in the dependent variable (GDP) were explained by the changes in the explanatory variables of the estimated model.
This implies that the estimated model has a good fit. However, the remaining 9% that is unexplained is as a result of the fluctuations in the dependent variable (GDP) caused by random disturbance or exogenous variable outside the regression model. Similarly, the adjusted coefficient of determination (R2) also shows that estimated model has a good fit (i.e., Adjusted R2 =0.88). This suggests that 88% of the total change in the Gross Domestic Product can be attributed to the Independent Variables.

F – Statistics

If Fcal>Ftab, we reject the null Hypothesis (Ho) and if otherwise, we accept the Null Hypothesis (Ho). Given the result on the ANOVA table we observed that at Fcal = 36.79.
At 5% level of significance, Ftab is given F0.05 2. 92 comparing these values (Fcal>Ftab). This suggests that the null hypothesis should be rejected and alternative hypothesis accepted.
Where;
N = Sample size
K = Number of parameter in the model
V1 = K = 7
V2 = N – K – 1
V2 = 28 – 7 - 1 = 20
Where, V1 and V2 = degree of freedom
N = 28
The high value of the F – statistics (i.e., F = 36.79) indicates that the parameters of the estimated model are jointly or simultaneously statistically significant. This implies the estimated model is good for forecasting, prediction, policy formulation and analysis purposes.

DUBIN-WATSON TEST (d – Statistics): The Durbin Watson test of autocorrelation states that;
1. If the value d* is equal to zero (d* = 0), it depicts perfect positive autocorrelation.
2. If d* value ranges between 0<d*< 2, there is some degree of positive autocorrelation.
3. If d* value ranges between 2< d* < 4, there is some degree of negative autocorrelation.
4. If d* value is equal to 4 (d* = 4), it depicts perfect negative autocorrelation.

The Durbin Watson for the analysis is 1.7. This is based on the decision rule which state that Durbin – Watson value of the estimated model is close to 2. Thus, the forecasting power of the estimated model is more reliable in the absence of autocorrelation supported by the good explanatory power of the explanatory variable as evidenced by the high value of R2.

SUMMARY, CONCLUSION AND RECOMENDATION

Summary of Major Findings

In the model it has been established that there is a positive relationship between globalization and economic growth. It is in agreement with the prior expectation. Hence we reject the null hypothesis and accept the alternate hypothesis that there is a relationship between Globalization and Economic growth.

CONCLUSION

The study examined the effect of globalization on economic growth in Nigeria between 1986 and 2013. Given the extent of Foreign Direct Investment and trade openness, the study showed that the Nigerian economy

DATA PRESENTATION AND ANALYSIS

Table 1

YEAR	GDP (N' MILLION)	INF (%)	IMPT (N'MILLION)	EXPT (N'MILLION)	BOP (N'MILLION)	FDI ($000BILLION)	EXC (N/US$1)	INRA TE %
1986	205971.44	13.7	5983.6	8920.6	2937.0	193.21	0.89	10.5
1987	204,806,54	9.7	17861.7	30360.6	12498.2	610552.1	2.02	17.5
1988	219878.63	61.2	21445.7	31192.8	9747.1	378667.1	4.017	16.5
1989	236,729.58	44.7	30860.2	57971.2	27111.0	1884250.0	4.54	26.8
1990	267549.99	3.6	45717.9	109886.1	64168.2	587667.1	7.39	25.5
1991	265379.10	23.0	89488.2	121535.4	32947.2	712373.4	8.03	20.0
1992	532613.83	48.8	143151.2	205611.7	62460.5	896641.3	9.91	29.8
1993	683869.79	61.3	165629.4	218770.1	53140.7	1345369.0	17.29	18.3
1994	899863.22	76.8	162788.8	206059.2	43270.4	1959220.0	21.88	21.0
1995	1933211.55	51.6	755127.7	950661.4	195533.7	1079272.0	21.88	20.1
1996	2702719.13	14.3	562626.6	1309543.4	746916.8	1593459.0	21.88	19.7
1997	2801972.58	10.2	845716.6	1241662.7	395946.1	1539446.0	21.88	13.5
1998	2708430.86	11.9	837418.7	751856.7	85562.0	1051326.0	21.88	18.3
1999	3194014.97	0.2	862515.6	1188969.8	326454.1	1004917.0	92.69	21.3
2000	4582127.29	14.5	985022.4	1945723.9	960700.9	1140138.0	102.11	17.9
2001	4725086.00	16.5	1358180.3	1867953.3	509773.5	1190632.0	111.94	18.3
2002	6912381.25	12.2	1512695.3	1744177.7	231482.2	1874042.0	120.97	24.9
2003	8487031.57	23.4	2080235.3	3087886.4	1007651.1	2005390.0	129.35	20.7
2004	11411066.91	10.9	1987045.3	4602781.5	2615736.5	1874033.0	133.51	19.2
2005	14572239.12	11.6	2800856.3	7246534.8	4445678.5	4982535.0	132.15	17.9
2006	18564594.73	8.5	3108519.3	7324680.6	4216161.3	4854417.0	128.65	16.9
2007	20657317.64	6.6	3911952.6	8309758.3	43971805.7	6034971.0	125.83	15.1
2008	24296329.29	15.1	5189802.6	10161490.1	4971687.5	8196606.0	118.56	18.4
2009	24794238.66	13.9	5102534.4	8356385.6	3253851.2	8554841.0	148.90	17.4
2010	29205782.96	11.8	8005374.2	11035794.5	3030420.3	6048560.0	150.29	18.9
2011	37754441.23	11.8	8821421.7	13489201.0	4667779.7	8841953.0	156.20	18.4
2012	43254380.54	10.2	9043623.7	12876000.1	3832376.4	7012234.0	155.27	19.6
2013	48254380.18	12.1	9384224.1	12561370.9	3177145.9	8937102.0	165.28	21.3

Sources:

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3). International Monetary Fund (IMF) economic statistics (econstat)
4). Tradingeconomics.com/Nigeria statistics

Indexmundi.com/fast/Nigeria/statistics

GDP = Gross Domestic Product (At current Basic Price)
INF = Inflation (percentage)
IMPORT (Oil and non-oil Import)
Export (Oil and non-Oil Export)
BOP = Balance of Payment
FDI = Foreign Direct Investment
EXC = Foreign Exchange Rate (N/US$1.0)
INRATE = Interest Rate (Minimum prime lending rate in percentage)

Table 2. Results of Analysis

Dependent Variable: GDP
Method: Least Squares
Date: 04/30/14 Time: 17:23
Sample: 1986 2013
Included observations: 28

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4002420.	5141899.	0.778393	0.4450
INF	-66039.20	55322.17	-1.193720	0.2459
FDI	0.681200	1.100514	0.618983	0.5426
EXC	-24729.16	29579.07	-0.836036	0.4125
INRATE	-37658.81	255878.7	-0.147174	0.8844
IMPT	3.766145	1.355062	2.779315	0.0112
-EXRP	-0.197251	1.354598	-0.145616	0.8856
R-squared	0.913144	Mean dependent var		11950152
Adjusted R-squared	0.888327	S.D. dependent var		14167122
S.E. of regression	4734290.	Akaike info criterion		33.79088
Sum squared resid	4.71E+14	Schwarz criterion		34.12393
Log likelihood	-466.0723	F-statistic		36.79639
Durbin-Watson stat	1.738770	Prob(F-statistic)		0.000000

GDP = 4002429 – 66039.20INF + 0.681200FDI – 24729.16EXC – 37658.81INRATE + 3.766145IMPT – 0.197251
S. E = (5141899) (55322.17) (1.100514) (29579.07) (255878.7) (1.355062) (1.354598)
‘t’ = (0.778393) (-1.193720) (0.618983) (-0.836036) (-0.147174) (2.779315) (-0.145616)

R^2 = 0.913 Adjusted R^2 = 0.88 n = 28 k = 6
F = 36.79 D.W = 1.7

is gaining from globalization. This is shown by high GDP growth. The economy is yet to gain more by diversifying its exports. The problem is not that the country is being exploited by the economic super powers (like anti globalists would have us to believe), but that Nigeria is not making the best use of resources that globalization brings. The worst hit by this ugly situation are the Nigerian poor people with peasant and impoverished majority in the midst of extremely few wealthy and corrupt individuals. Most of the poor practice subsistence farming which excludes them from global integration. The oil sector of the economy remains the dominant sector in the international transaction but majority of Nigerians are deprived from enjoying its benefits. Unlike many other oil exporting countries Nigeria is yet to make the best use of this resource.

The study concluded that Nigeria can use the international market for services to improve economic governance and to provide necessary infrastructure (such as ports, electricity) as being witnessed in the telecommunication sector in the country today. We can also say that more successes in terms of economic growth from integration require not just open trade policies, but also sound institutions and policies in a range of areas. Since Nigeria has opened up to foreign trade and investment it achieved a better economic growth. Openness encourages adequate investment from private sector and, hence, economic growth. The study concluded that for Nigeria to achieve accelerated growth and development, it is highly necessary to fully integrate her economy into global economies by removing all barriers to trade and liberalize all the sectors of the economy. Globalization has generated great wealth for Nigeria and could be used to massively reduce poverty and in turn to reduce global poverty and inequality. Globalizations has helped increase investment and create wealth in Nigeria but it must be harnessed better to help the poor and most marginalized people improve the lives of their citizens. Perhaps, the impetus of globalization lies in proper democracy and transparent market economies. It is observed that Nigeria needs to fully integrate her economy and deregulate all sectors in order to fully enjoy the benefits of globalization. This will take some time but any backsliding in the present economic reform will not produce good result for the entire economy.

RECOMMENDATION

In order for the country to fully benefit from globalization there is a need for stronger intuitions and sound policies to facilitate international trade. There also needs to be improvement in infrastructure (roads, electricity etc.) and security of the country as it will bring more Foreign Direct Investment.

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