



The Nexus between Globalization, Foreign Direct Investment and Economic Growth: Experience from Africa

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ABSTRACT

This study examines the impact of globalization and foreign direct investment (FDI) on economic growth in Nigeria over the period 1960–2019. Economic growth was measured using real gross domestic product (RGDP), while FDI was proxied alongside control variables including net imports, net exports, and exchange rates. Time-series data were employed, and the model was estimated using the Ordinary Least Squares (OLS) method. The stationarity of the variables was assessed using the Augmented Dickey-Fuller (ADF) and Phillips-Perron (PP) unit root tests. Results from the correlation matrix indicate that trade openness and net exports exert a negative influence on economic growth, whereas FDI, net imports, and exchange rates show a positive impact on RGDP. Residual cointegration tests confirm the existence of a long-run equilibrium relationship among the variables. OLS results further reveal a significant long-run relationship between FDI and RGDP, but no significant relationship between trade openness and economic growth. The residual-based error correction model indicates a rapid adjustment from short-run deviations to long-run equilibrium at a speed of 89%. Granger causality tests show no causal relationship between trade openness and economic growth, while a unidirectional causality runs from FDI to economic growth in Nigeria. Based on these findings, it is recommended that the Nigerian government diversify its international trade and strengthen governance and regulatory quality to promote globalization and attract greater FDI inflows.

Keywords: Globalization, Foreign Direct Investment, Economic Growth, Africa

JEL Classifications: F02, F21, O40

1. INTRODUCTION

Globalization is the process of increasing interconnectedness among countries. It serves as a fulcrum that spurs the economic growth of any nation. The goal of globalization revolves around boosting economies around the world by making markets more efficient, easy for human daily activities, ease in mass production of goods and services, and providing of basic needs of humans. Globalization aids in international trade since countries of the world come and exchange communication in various ways. In the recent

past, the batter system of trade became obsolete since it could no longer withstand the wave of demand and supply emanating from the world economies, and the need for a unified medium of exchange – a generally accepted means of exchange came to be. It has been argued that increased in globalization will lead to more competition, which will spread wealth and economic welfare in a more equal and robust manner (Zerrin and Yasemin, 2018; Nyeche and Ekine, 2018; Aras and Odebo, 2019) among others. Globalization improves the efficiency of business enterprises and

plays a great role in increasing the size of the economy of every country which in turn boosts economic growth and development which improves the living standard of the people. The ubiquity of the gains of globalization to national economies cannot be over-emphasized. It aids in countries international trade, and makes it easier for migrants to migrate from one country to another for trade in another country, which makes international trade easier.

Foreign direct investment on its own has been noteworthy due to special role it plays in national economic growth and development. FDI does not only create direct employment opportunities but also through backward and forward linkages generates indirect investment and employment opportunities. In developing economies, particularly across many African countries, foreign direct investment (FDI) plays a critical role in alleviating capital constraints while fostering export competitiveness through technology transfer and productivity gains. Beyond financial inflows, FDI facilitates the diffusion of modern managerial practices and marketing capabilities, strengthens firm-level competitiveness, and supports job creation. Collectively, these channels enable broader structural transformation and sustainable economic development in host economies (Hoekman et al., 2025; Gamariel & Hove, 2019). It has been extensively argued that foreign direct investment serves as great stimulator of economic growth (Bajo-Rubio et al., 2010) among others. FDI is considered as the best way to transfer technology and capital from one nation to another (Yu et al., 2011) and investment (Mujeri and Chowdhury, 2013) which are very crucial for industrialization. Foreign direct investment has notably increase the exporting capability in the host country, lead to increase in profit, increase funds for domestic investments, encourages creation of new jobs, reinforces technological advancement and promotes economic growth (Dritsaki and Stiakakis, 2014). It is one of the most relevant aspects of the recent wave of globalization (Bajo-Rubio et al., 2010). The effect of FDI has been viewed by policy makers at general base with few literature focusing on the specific effects on host countries and receiving economies. FDI is mainly received by developed countries (Lucas, 1990; Gourinchas and Jeanne 2013). Sutton and Treffer (2016) pointed out that low-income countries always try to produce low-value-added goods, which makes their exports not to enhance economic growth. Findings from some notable macroeconomic analysts such as (Mencinger, 2003; Carkovic and Levine, 2005; Johnson, 2006; Türkcan et al., 2008; Herzer, 2012) shows either negative or positive impact of FDI on economic growth. Also, several literature on both developed and developing countries indicate a positive effects of FDI inflows (Olofsdotter, 1998; Reisen and Soto, 2001), while (Alfaro et al., 2004; Li and Liu, 2005; Batten and Vo, 2009) indicated the importance of host economy characteristics.

The duo – globalization and foreign direct investment are often agued by scholars and policy makers as drivers of economic growth of a nation (Liargovas and Skandalis 2012; and Edwards, 1999). In the studies conducted by (Saibu and Akinbobola, 2014; and Akinmulegun, 2012) they argued that globalization and foreign direct investment promotes economic growth. Globalization and foreign direct investment have numerous benefits ranging from more access to capital flows, technology, human capital

development, cheaper imports, and induced large exports (Barboza et al. 2025; Alfraro et al. 2004); transfer of technology, enhanced competition in labour market, capital inflow (Gudaro et al., 2012). Increase in the ratio of foreign direct investment and gross domestic product implies an increase in globalization. FDI (inward and outward) as a percentage of GDP indicates the degree of global investment activities of the economy for a given period of time. FDI inward and outward income flows as a percentage of GDP, reflects the importance of earning of FDI in investing and host economies and therefore should be considered as the indicators reflecting the consequential aspect of globalization and suitable to assess the impact of globalization on economic growth of a country, and the same rationale is relevant for the indicator of FDI on the other hand, which provides information regarding the profitability of FDI enterprises and therefore reflects the effects of FDI aspect of economic globalization (Pekarskiene and Susniene, 2015).

Based on the synopsis above, findings from most of the literatures reviewed shows that most scholars studied the impact of globalization and foreign direct investment separately on economic growth, while others focused on impact of globalization and foreign direct investment on international trade, export, import as well as impact of globalization on foreign direct investment. But this study focus on examining the nexus between of globalization, foreign direct investment economic growth in Africa from 2000 to 2020 using panel dynamic autoregressive distributed lag (ARDL) model with specific interest on mean group (MG), dynamic fixed effects and pooled mean group (PMG) estimators and panel dynamic differenced and system generalized method of moment (GMM). In order to measure globalization, we used globalization proxy – trade openness (TOPEN); Foreign direct investment, net inflows (BoP, current US\$) as measure of foreign direct investment (FDI); and variables such as real gross domestic product (RGDP), gross domestic product per capita (GDPpc) and gross domestic product growth rate (GDPgrt) as measures of economic growth; while controlling for inflation rate (INFL) and real exchange rate (REXR). Other sections of the paper was organized as follows. Section 2 contains the over view of the links between globalization, foreign direct investment, and economic growth in Africa; we reviewed the related literature in section 3, section 4 houses the data and methodology, while the analysis of the results and discussion of summary of the research findings are discussed in chapters 5 and summary, recommendation and conclusion was done in section 6.

2. EVALUATION OF THE LINKS BETWEEN GLOBALIZATION, FOREIGN DIRECT INVESTMENT AND ECONOMIC GROWTH IN AFRICA

Globalization has been seen as a unifier of modern aspects of industrialization of a nation. And industrialization in turn would lead to increase in enforceable contracts which would lead to growth and development of a nation. As eminently documented, developing countries, emerging economies and countries in transition have come increasingly to see foreign direct investment

(FDI) as a source of economic development and industrialization, income growth, employment and development. Globalization and FDI have great synergy in the world economy. By globalization, especially following the advent of internet and some technological tools such as mobile telephony, internet broadband connections, advent of locomotive engines in the form of cars, ships and airplanes which aids in transportation of human, goods and services. Globalization aids in the improvement of international trade, companies can export their products easily. Globalization changes the way nations, businesses and people interact. It changes the nature of economic activities among nations, expanding trade, opening global supply chains and providing access to natural resources and labour markets. Also, globalization leads to global cultural, political and economic integration in countries and due to the increased demand in the technology around the world, business firms and industries have the potential for huge profits by comingling globally with other companies in the country. Through globalization, foreign investing companies find lower-cost of production which will make them to produce with less cost. Globalization also increases global competition, which drives prices of goods and service low.

Following the 2002 OECD report, the entire African continent (except South Africa) received FDI worth an estimated US dollar 8.2 billion in 2000. More recently, as of 2020, the foreign direct investment flows into Africa was approximated 40 billion US dollar due to the outbreak of Covid-19 pandemic in most countries of the world. However, when compared with previous years, the inward FDI in Africa was measured at roughly 47 billion US dollar. Several recent studies discussed the possible reasons for this seemingly spectacular failure of African countries at attracting foreign investors. It was observed that factors motivating FDI into Africa in the recent decades appear to have been the availability of natural resources in the host countries (like investment in the oil industries in Nigeria and Angola) and, to lesser the extent, the size of the domestic economy. The reason for the lackluster FDI in most other Africa countries are most likely the same reason that contributes to generally low rate of private investment to GDP across the continent. While gross returns on investment can be very high in Africa, the effect is more than counterbalanced by high taxes and significant risk of capital losses. The three main risk factors include macroeconomic instability; loss of assets due to non-enforceability of contracts; and physical destruction caused by the armed conflicts (OECD, 2002). Other factors include nature of national economic policies, poor quality of the public services and trade protectionism policies.

Figure 1 show that several other factors holding back FDI have been proposed in recent studies, notably the perceived sustainability of national economic policies, poor quality of public services and closed trade regimes (OECD, 2002). Even when the barriers to foreign direct investment (FDI) appear manageable, investors often have strong incentives to adopt a cautious, wait-and-see approach. This tendency is particularly pronounced for greenfield investments, which involve significant irreversible commitments; when perceived risks are high, only substantial incentives can persuade investors to proceed rather than defer their decisions. The situation is further complicated in contexts where democratic

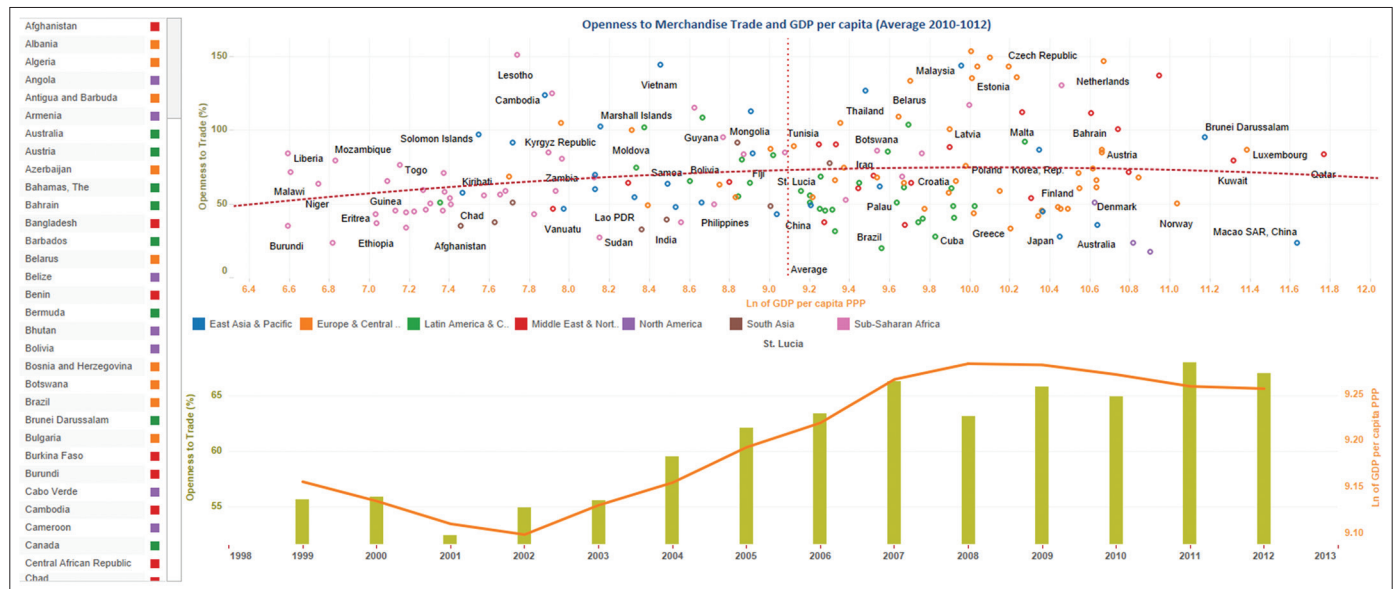
deficits or other forms of political instability undermine the credibility of government institutions, making sudden policy shifts more likely. In addition, limited regional trade integration has been identified as a factor that constrains investment, keeping national markets relatively small and inhibiting sustained growth—in some instances even causing contraction. Nonetheless, a number of African countries have succeeded in attracting FDI, largely due to improvements in their domestic business environments. For example, Mozambique, Namibia, Senegal, and Mali in the late 1990s came to be seen as offering relatively favorable investment climates. These improvements were primarily driven by policy measures such as trade liberalization, privatization initiatives, modernization of investment codes, adoption of international FDI agreements, development of priority projects with broader economic impact, and proactive publicity campaigns aimed at informing potential investors about these reforms.

3. REVIEW OF RELATED LITERATURE

The economic growth of a nation can be enhanced through globalization and foreign direct investment. A nation that extends more international collaborations with other nations tends to develop at fast pace. Globalization plays a pivotal role in promoting economic growth by facilitating free trade, attracting investment, fostering competition, and integrating labor and markets across national boundaries. Empirical studies from non-oil-producing African countries indicate that trade liberalization and broader global integration are strongly linked to enhanced economic performance, particularly when obstacles to trade and investment are minimized (Logan et al. 2024). FDI also contributes to economic growth not only through capital, but also via spillover, competition, and productivity effects (Alfaro and Chauvin, 2017). The studies conducted by (Saibu and Akinbobola, 2014; and Akinmulegun, 2012) maintained that globalization and foreign direct investment promote economic growth. In light of this, we reviewed theories as well as empirical literature on globalization, foreign direct investment and economic growth in this section focusing on theories, hypotheses, models, and empirical reviews related to globalization, foreign direct investment and economic growth since there are no single theory nor empirical literature that address the topic.

3.1. Theoretical Literature

Globalization is simply based on the assumption of incentives for investors and governments. Domestic firms gain from exposure to international markets and are positively influenced by government investment in human capital, including education, health, and entrepreneurship. These investments improve workforce quality and productivity, supporting the competitiveness of both domestic and foreign-invested firms in the global economy (Cleeve et al. 2015). Garrett (2001) in his “compensation hypothesis” predicts a stimulating effect of globalization on social expenditures but is based on quite different theoretical foundations. According to the “compensation hypothesis”, globalization exacerbates economic inequality and insecurity, which in turn prompts the governments to increase social spending to compensate the losers from globalization (Garrett, 2001) and to prevent political instability (Kaufman and Alex, 2001). Indeed, even in the relative infancy

Figure 1: Openness to Merchandise and GDP per capita (average 2010-2012)

Source: WITS, 2012

of the 1960s, economic globalization was already found to be the best single prediction of the extent of expansion of the public economy in industrialized Western countries (Cameron, 1978).

Various theories have illustrated why economies and multinational firms engage in transnational development – a consequence of FDI. New growth theory proposed by Romer (1986) featured mainly the subject of progression in technology as a product of rate of investment, as well as the degree of capital stock and human capital (Neeliah and Seetanah, 2016). The neoclassical microeconomic theory is the first theoretical assertions, up till 1960s, it was the prevailing theory used to describe how inflows of foreign direct investment occurred (Dunning, 1993; Adeleye et al., 2017). The neoclassical microeconomic theory consents to the flow of investments triggered by variations in the rate of interest among economies. Capital is a commodity from the perspective of the neoclassical theory; its price determines its demand, supply and allocation. Thus, the determinant of FDI flows doesn't occur in particular emerging countries and the conventional development theories emphasize on international trade and capital exchange have been criticized.

In the theory of “absolute advantage” as propounded by Adam Smith, he suggests that countries should produce goods they have advantage over each other. In his famous book “an enquiry into the nature and causes of wealth of the nations”, Adam Smith (1776) stressed the importance of trade as a vent for surplus production and as a means of broadening the international market thereby improving division of labour and the level of productivity. Thus countries should solely specialize and export those commodities in which have an absolute comparative advantage and import those commodities in which trading partners have absolute comparative advantage. Each country should export those commodities it can efficiently produce due to their abundant capital and labour required for the commodity and import from trading partners the goods they cannot effectively produce (Appleyard and Field, 1998).

3.2. Empirical Literature

Every economy has a way of achieving economic growth. But globalization and foreign direct investment have no doubt led to enhancement in economic growth. Extant literature indicates that financial liberalization seeks to relax government control over financial systems, thereby expanding economic opportunities, lowering the cost of capital, and eliminating constraints on both domestic and international financial markets. These reforms are widely recognized for fostering financial sector development and stimulating economic growth, particularly in developing economies (Fry, 1997; Singh, 1997). On the other hand, foreign direct investment is the key to global economic integration, it provides financial stability, drive economic growth and improves social welfare (Borensztein et al., 1998; Nguyen et al., 2019). To avoid ambiguity in this study, we reviewed the empirical literature relating to globalization and economic growth distinctly from the literature on foreign direct investment and economic growth.

3.2.1. Globalization and economic growth

In the study conducted by Egberi and Samuel (2017), they examined the relationship between major globalization indicators and economic growth in Nigeria. The study covered the period of 1980-2015 using the Error Correction Model (ECM). The result shows that globalization, and openness of the economy to the outside world have a positive and significant impact on the level of economic growth in Nigeria. In the like manner, using the Autoregressive Distributed Lag (ARDL) Model to examine the impact of globalization on economic growth in Nigeria and annualized secondary time series data spanning from 1970 to 2015, Maduka et al. (2017) found that trade openness, financial integration and foreign direct investment have a significant positive impact on economic growth in Nigeria. Similarly, Olaniyi et al. (2016) examined the influence of globalization on the Nigerian capital market, using the OLS method from 1980 to 2014. However, findings show that globalization has a positive impact on the performance of the Nigerian capital market. In contrast,

Asuamah et al. (2016) studied the long-run hypothesis between globalization and manufacturing sector productivity in Ghana from 1961 to 2013 using the Ordinary Least Squares (OLS) model. The study's findings indicate that the manufacturing sector has not benefited from globalization in Ghana.

More recently, Zerrin and Yasemin (2018) carried out a study on the impact of globalization on economic growth in Turkey from 1980 to 2015 using the globalization index and its components (economic, social and political globalization indices). The findings show that economic growth increases "economic" and "social" globalization in Turkey. Nyeche and Ekine (2018) studied the effectiveness of trade openness on the performance of the transportation sub-sector in Nigeria, using the OLS estimation method. The result showed that trade openness and exchange rates are negatively related to transportation GDP, while foreign direct investment (FDI) and import-export ratio exert insignificant influence on transportation GDP. Focusing on the Nigerian manufacturing sector, Aras and Odebo (2019) examined the impact of globalization on manufacturing output in Nigeria from 2010Q1 to 2018Q4 using structural vector autoregressive (SVAR) approaches. Their research findings revealed that manufacturing output and transportation responded significantly to the foreign shocks emanating from globalization.

3.2.2. Foreign direct investment and economic growth

To ascertain the impact of FDI and economic growth, Dinh et al. (2019) conducted a study titled "foreign direct investment and economic growth" in the short run and long run on developing countries from 2000 to 2014. They employed various econometric methods which include panel-based unit root test, Johansen cointegration test, Vector Error Correction Model (ECM) and Fully Modified OLS (FMOLS) to critically investigate the robustness of their findings. The results they obtained revealed that FDI helps stimulate economic growth in the long run although it harms the short run. BenJelili (2020) stated that domestic FDI has a positive and significant role in boosting economic growth. Moreover, Yeboua (2019) stated that FDI affects economic growth visibly and noticeably when the economy attains the specific threshold level of local financial development and mechanism. In the like manner, Hayat (2019) identifies that FDI combined with better institutional quality has a significant positive impact on the economic growth of countries. In a study conducted by Malikane and Chitambara (2017), they concluded that FDI has a favourable impact on economic growth because of less corruption and strong democratic institutions in Southern Africa.

While each country possesses unique characteristics and strengths that can be leveraged to foster economic growth, foreign direct investment (FDI) remains a critical catalyst for global economic integration. FDI not only promotes financial stability but also stimulates economic expansion and improves social welfare. Empirical evidence from Nigeria further demonstrates that FDI significantly enhances economic growth by augmenting capital inflows and fostering productive activities (Manasseh et al., 2023; Nguyen et al., 2019). In the area of governance and institutional quality affecting the rate of impact of FDI on economic growth. Andrzej and Goczek (2018) and Hamdi and Hakimi (2019) infer

that corruption impedes economic growth and investment in both the short and long run. However, in most cases FDI might have a negative or insignificant impact on economic growth, thus, this is evident in the study conducted by Dutt (1997) who finds that FDI's effect on economic growth is negative, whereas Carkovic and Levine (2005) identified that FDI is independent of economic growth for the panel data sample and Nigeria respectively.

Globalization and FDI often yield fruits like increased import and export and vice versa in an economy. In 2017, Sakyi and Egyir carried out some investigation through the Bhagwati hypothesis for 45 African countries using the generalized method of moment (GMM) technique from 1990 to 2014. Their findings show that FDI inflows and trade (exports) have a significant positive effect on economic growth in the selected countries. Findings from Zahonogo (2017) suggest that trade openness has a positive and significant relationship with economic growth in sub-Saharan African countries. In the evidence from SAARC economies, Mah (2017) investigates through ARDL model using annual time series data ranging from 1963 to 2014. His study reveals that there is export expansion weekly causing economic growth and import protection strongly causing economic growth, import liberalization is not caused by the economic growth of Korea. The study further finds that domestic investment has strongly caused economic growth, whereas FDI inflow does not cause economic growth in Korea. The result of the error correction model (ECM) shows that distinct investment, trade openness, international trade, and FDI have not shown a positive role in promoting economic growth in Bangladesh, India, Nepal, Pakistan and Sri Lanka which are members of SAARC countries. Majid and Elahe (2016) investigated the effect of FDI, exports and economic growth through the Trivariate Panel Vector Error Correction (VECM) model in eight European developing countries and eight Asian developing countries. The finding from the study revealed that there is a bi-directional relationship between GDP and FDI and a unidirectional relationship between GDP, FDI and exports through short-run analysis in the European developing countries.

In a study conducted by Olawumi and Olufemi (2016), they investigated the effect of FDI on economic growth in some randomly selected African economies from 1980 to 2013, using a modified growth model, ordinary least square (OLS) approach and the generalized method of moments (GMM). They observed that except for Central African Republic, the estimate of FDI was positive and significant for both OLS and GMM in all the selected countries. Adedeji and Rolle (2016) in their study suggest that though FDI tends to stimulate growth in Africa, it is not a critical factor in Africa's growth process, thus, sub-Saharan Africa's receipt of global FDI has been quite unimpressive reflecting a case of global financial marginalization. Kuhn (2018) investigated the impact of foreign direct investment (FDI) on economic growth in Cambodia. He concludes that in general, the positive influence of FDI is explained by "technological diffusion" originating from firms accepting foreign capital and spreading to related companies in the form of technical support.

The FDI-economic growth relationship raises important institutional issues in the recipient economy (Adegboye et al.,

2020c, Ogundipe et al., 2020). Given this, Ojewumi and Akinlo (2017) argued that FDI could adversely affect a recipient economy's growth prospects. But significant investment inflow – FDI which can complement domestic investment, generate more new job opportunities, and improve transfers, and economic growth (Akinlo, 2004; Ejemeyovwi and Osabuohein, 2020; Adegboye et al., 2020c). The ability of foreign direct investment to stimulate economic growth is largely contingent upon the socio-macroeconomic environment of the host country, including factors such as institutional quality, economic stability, and policy frameworks (Abada & Manasseh, 2020; Buckley et al., 2002; Adegboye et al., 2020a; Osabohien et al., 2020). Akhmetzaki and Mukhamediyev (2017) investigated the potential determinants of FDI inflows into the region of the Eurasian Economic Union, as a result of which they revealed a significant positive relationship between FDI inflows into the region and GDP, the level of infrastructure and education.

Muhia (2019) reviewed the impact of FDI on economic growth in major sectors of Kenya's economy. In his article, he examines the influence of foreign direct investment on Kenya's economic growth using Quantitative data, collecting level two data from the World Bank and Kenya National Bureau of Statistics (KNBS) from 2000 to 2017. Findings from the research show that foreign direct investment in the infrastructural sector has a significant positive impact on economic growth, while FDI invested in manufacturing and the Agricultural sector has no significant impact on economic growth. Studying the nexus between foreign direct investment and economic growth in Bangladesh, Sarker and Khan (2020) utilized the autoregressive distributed lag model (ARDL) and found a long-run relationship between FDI and GDP. In addition, the error correction model and Granger causality test indicated the presence of unidirectional causality running from GDP to FDI.

4. METHODOLOGY AND MODEL SPECIFICATION

4.1. Theoretical Framework

The main theoretical underpinning of this lies in the theory of absolute advantage. Adam Smith suggests that countries should focus on the production and exportation of products they have a comparative advantage over other countries of the world. Each country should export those commodities it can efficiently produce due to its abundant capital and labour required for the commodity and import from trading partners the goods it cannot effectively produce (Appleyard and Field, 1998).

4.2. Definition of Variables and Data Source

For a vivid understanding we defined each of the variables selected in the study. The Real Gross Domestic Product (RGDP) is referred to as a macroeconomic measure of the value of economic output adjusted for price changes. It serves as measure of economic growth in this study. Trade Openness (OPEN) is defined as the sum of imports and exports divided by GDP. Foreign Direct Investment (FDI) is defined as an investment made by a firm or individual in one country for business interests located in another country. Net Imports (NIMP) of a country is referred to as value of imports

minus its exports. It is calculated with the following formula (Net imports = Total imports – total exports). Net Exports (NEXP) is seen as the value of a country's exports minus its import. It is calculated by the following formula (Net exports = Total exports – Total imports). Exchange Rate (EXR) is referred to as the rate at which one currency will be exchanged for another. In other words it is regarded as the value of one country's currency in relation to another currency. The data was sourced from World Bank's world development indicators (WDI) 2019 edition and what informed the choices of these variables was based on the availability of data in the sampled year.

4.3. Model Specification

The model that is being used in this study is ordinary least squares (OLS) and the choice for this model was due to the special characteristics it possesses such as (a) OLS model produces residuals that have a mean of zero, have a constant variance, and are not correlated with themselves or other variables. (b) It produces estimates that have the best linear unbiased (BLUE) property. (c) As the sample size increases to infinity, the coefficient estimates converge on the actual population parameters when compared to other estimation methods.

However, the ordinary least squares model is built on the assumptions which state that the regression model is linear in parameters; the explanatory variable is assumed to be non-stochastic; there is zero mean value of disturbance (μ_i); there is homoscedasticity or equal mean or the conditional variances of μ_i are identical; there is no autocorrelation between the disturbances; there is zero covariance between μ_i and explanatory variables; the number of observation n must be greater than the number of parameters to be estimated; the variable must be a finite positive number; the regression model must be correctly specified (there is no specification bias or error in the model); and there is no perfect multicollinearity among the explanatory variables. Based on research variables, the model for the study can be specified as follows:

$$Y = \alpha_0 + \Psi_1 G_1 + \Psi_2 G_2 + \Psi_3 G_3 + \Psi_n G_n + \varepsilon \quad (1)$$

Where Y represents the dependent variable which is a proxy of real gross domestic product (RGDP). Furthermore, G represents the explanatory variables, α is a slope parameter, which explains the status of the unobserved random variables in the absence of the explanatory variables. Similarly, Ψ represents the intercept parameter, which represents which explains the magnitude and direction of the linear relationships, and ε represents the unobserved random variable or disturbance term. It captures the amount of variables which is unpredicted by intercepts and slope parameters.

In this study, the OLS model further suggests that real gross domestic product (RGDP) be the dependent variable or predictor variable and trade openness, foreign direct investment, net import, net export, and exchange rate be the independent or explanatory variables. Thus, the OLS model is specified as follows:

$$RGDP = \alpha_0 + \beta_1 OPEN + \beta_2 FDI + \beta_3 NIMP + \beta_4 NEXP + \beta_6 EXR + \varepsilon \quad (2)$$

Table 1: Summary of descriptive statistics

Variable	Symbols	Mean	Median	Max	Min	Standard deviation	Skewness	Kurtosis
Real Gross Domestic Product	RGDP	1.155	1.256	3.099	-2.861	1.090	-1.311	6.632
Trade Openness	OPEN	3.472	3.488	4.195	2.819	0.356	0.160	2.175
Foreign Direct Investment	FDI	1.239	1.005	5.790	-1.150	1.247	1.349	5.579
Net Import	NIMP	1.767	1.911	3.124	-1.549	1.190	-1.575	5.015
Net Export	NEXP	0.851	0.248	3.127	-1.369	1.232	0.352	1.827
Exchange Rate	EXR	1.496	0.719	9.909	0.172	1.850	2.979	12.04
Correlation Matrix								
	RGDP	OPEN	FDI	NIMP	NEXP	EXR		
RGDP	1							
OPEN	-0.550	1						
FDI	0.565	0.303	1					
NIMP	0.981	-0.265	0.083	1				
NEXP	-0.375	0.164	-0.176	-0.109	1			
EXR	0.434	-0.150	0.099	0.053	-0.290	1		

Computed with Eviews 10

Where: RGDP = Real gross domestic product; OPEN = Trade openness (a measure of globalization); FDI = Foreign direct investment; NIMP = Net import; NEXP = Net export and EXR = Exchange rate; ε = The error term; α_0 = Slope parameter and $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$, and β_6 represent the coefficients; which portrays the behaviour of (real gross domestic product, trade openness, foreign direct investment, net import, net export, and exchange rate). In the OLS model, the null hypothesis assumes that explanatory variables for real gross domestic product (RGDP) do not have an impact on the dependent variable. On the other hand, the alternative hypothesis assumes that the explanatory variables of RGDP have an impact on the dependent variable. Thus, the hypothesis is stated as follows:

$$H_0: \beta_1 = \beta_2 = \beta_3 = \beta_4 = \beta_5 = \beta_6$$

$$H_1: \beta_1 \neq \beta_2 \neq \beta_3 \neq \beta_4 \neq \beta_5 \neq \beta_6$$

If the P-value is >5%, then the study fails to reject the null hypothesis, implying that there is no impact of the explanatory variables on the dependent variable. On the other hand, if the P-value is <5%, then the study rejects the null hypothesis, implying that there is the existence of a long-run relationship between the dependent variable and explanatory variables.

4.4. Robustness Check

If the outcome of the null hypothesis above confirms the existence of a long-run relationship between the dependent variable and explanatory variables, it becomes imperative to robustly check the outcome of the result. To do this, another measure of economic growth (gross domestic product per capita (GDPpc) and gross domestic product growth rate (GDPgrt)) was introduced in model 2 above and was used interchangeably to re-estimate the equation. Therefore, we have the following outcome as models 3 and 4 as in below:

$$\text{GDPpc} = \alpha_0 + \beta_1 \text{OPEN} + \beta_2 \text{FDI} + \beta_3 \text{NIMP} + \beta_4 \text{NEXP} + \beta_6 \text{EXR} + \varepsilon \quad (3)$$

Table 2: Test for stationarity (unit root test)

Variable	ADF	PP	Order of integration	
			Level	First difference
RGDP	-4.727***	-4.697***	I (0)	-
OPEN	-8.845***	-8.810***	-	I (1)
FDI	-4.074***	-4.974***	I (0)	-
NIMP	-7.707***	-7.736***	-	I (1)
NEXP	-3.168**	-3.039**	I (0)	-
EXR	-3.025**	-3.077**	I (0)	-

Source: Computed with Eviews 10; ***, ** and * represents 1%, 5% and 10% level of significance respectively

$$\text{GDPgrt} = \alpha_0 + \beta_1 \text{OPEN} + \beta_2 \text{FDI} + \beta_3 \text{NIMP} + \beta_4 \text{NEXP} + \beta_6 \text{EXR} + \varepsilon \quad (4)$$

Where: GDPpc represents gross domestic product per capita, GDPgrt represents gross domestic product growth rate; while α_0, β , and ε are the same as defined above.

4.5. Justification of the Model

This study utilized the Ordinary Least Squares (OLS) model for the estimation of the variables. The choice of the model was based on the special characteristics it possesses such as (a) the OLS model produces residuals that have a mean of zero, have a constant variance, and are not correlated with themselves or other variables. (b) It produces estimates that have the best linear unbiased (BLUE) property. (c) As the sample size increases to infinity, the coefficient estimates converge on the actual population parameters when compared to other estimation methods.

5. DISCUSSION OF EMPIRICAL FINDINGS

In other to study the impact of globalization, and foreign direct investment on economic growth in Nigeria, ordinary least squares (OLS) procedure was employed to estimate the variables of the model. Because time series data in most cases would yield spurious estimates if not properly checked, the Stationarity and order of integration of the variables were determined using Augmented

Dickey-fuller (ADF) and Philips-Perron (PP) tests. Also, following the assumptions of the classical linear models, the model was taken through pre and post-OLS estimation tests (Normality test, Breusch-Godfrey Serial correlation LM test, Ramsey Reset test and White Heteroscedasticity test). The correlation matrix was used to check the strength of the relationship between the variables and the Johansen cointegration test was employed to check if there is an existence of cointegration between the variables. Thus, in Table 1 below are the results of the descriptive statistics and correlation matrix.

5.1. Descriptive Statistics

Descriptive statistics are used to describe the basic features of data in a study. It gives a simple summary of the data and quantitative descriptions of the variables used in the study. From Table 1 below, the minimum and the maximum values are -2.861206 and 9.909492 respectively, which is the least value and the highest values of the coefficients. Bearing in mind that autocorrelation might arise since our data is a time series data, the New-vey west Hac Procedure was used in the process of estimation of the model to correct any form of autocorrelation.

Also, in Table 1, the correlation matrix was shown. This test was carried out to ascertain the strength of relationship that exists between the variables of the model. A strong negative correlation exists between trade openness (a measure of globalization) and economic growth. This could be as a result of the dearth of governance and institutional quality in Nigeria. For instance, according a publication by transparency international in 2019, it shows that Nigeria was raked 146 out of 180 sampled countries in global corruption perspective index. This single reason taints the image of Nigeria globally since it inhibits cross border trades, which yields to lack of trust by international countries signing business deals with Nigeria. This finding tallied with correlation that exists between net exports (NEXP). It has negative correlation with economic growth. However, foreign direct investment (FDI), net import (NEXP) and exchange rate (EXR) have positive correlation with economic growth.

5.2. Unit Root Test

Unit root tests are used to ascertain if the variables of the model are stationary or not, as well as level of integration of the variables in the model to avoid spuriousness in the results. In this study, Augmented Dickey-Fuller (1981) and Philips-Perron (1988) tests was employed. The sole aim to complement the ADF test with PP test stems from the fact that while ADF test assumes the error term is homoscedastic, the PP test makes a no – parametric correction of statistic when compared to other tests like Kwiatkowski-Philips-Schmidts-Shin (KPSS) test. The unit root test, is based on the assumption that variables are either stationary at level $I(0)$ or at first difference $I(1)$ and not at second difference $I(2)$ in other to avoid spurious results, because at $I(2)$ or above, the result will go

boosted. The decision rule is that we reject the null hypothesis “has no unit root” if the P-value is less than (0.05) i.e. 5% level of significance, otherwise, do not reject the null.

Thus, as shown in Table 2 above, the result of the unit root test of both ADF and PP test shows that the null hypothesis “has unit root” could be rejected since all the p-values of the tests are statistically significance at 1% level of significance except NEXP and EXR of both ADF and PP tests. For both test, the real gross domestic product, foreign direct investment, net export and net import are integrated of order $I(0)$, while trade openness and net import are integrated of order $I(1)$. Since the test confirmed that all the variables are statistically significance and integrated of order $I(0)$ or $I(1)$ other than $I(2)$ and above, we move further to ascertain if there is existence of long run cointegration between the variables.

5.3. Residual Based Cointegration Test

To carry out cointegration analysis between the variables of the model, the residual of the model was generated and was subjected to unit root test using (Augmented Dickey-Fuller – ADF). The null hypothesis of the test is “there is no cointegration among the variables”. The decision rule for the test is to reject the null hypothesis if the p-value of the ADF-statistic is less than 0.05, accept if otherwise. Therefore, since the $P < 0.05$, we reject the null hypothesis “there is no cointegration among the variables” and accept the alternative (Table 3). Based on this finding, we come to conclusion that there is existence of long run cointegration between the variables.

5.4. Estimated OLS Result

Globalization and foreign direct investment are considered important policies to achieve sustainable economic growth. Thus, the foreign direct investment is one of the most relevant aspects of the recent wave of globalization (Bajo-Rubio et al., 2010). Foreign direct investment however, increases the exporting capability of the host country, leads to increase in profits, increase funds for domestic investments, creates new jobs, reinforce technological transfers and

Table 4: Summary of OLS result

Variable	Dependent variable: RGDP			
	Coefficient	Standard error	T-statistic	Probability
LOG_FDI	0.940	0.318	2.952	0.006
LOG_NEXP	0.433	0.098	4.409	0.000
EXR	0.310	0.063	4.895	0.000
D (OPEN)	0.017	0.030	0.058	0.954
D (LOG_NIMP)	0.108	0.042	2.578	0.015
R-squared			0.320	
Adjusted R-squared			0.215	
Durbin-Watson statistic			2.593	
Normality test			16.41 (0.000)	
Serial Correlation test			1.202 (0.277)	
Ramsey Reset test			-0.303 (0.000)	
Heteroscedasticity test			0.251 (0.997)	

Source: Computed with Eviews 10

Table 3: Residual Cointegration result

Dependent variable	ADF-statistic	1%	5%	10%	Prob.
RGDP	-4.086	-3.769	-3.861	-2.642	0.005

Source: Computed, aided by Eviews 10

Table 5: Result for short run error correction model

Variable	Coefficient	Standard error	T-statistic	Probability
ECT (-1)	-0.899	0.219	-4.086	0.006
C	-0.020	0.193	-0.105	0.917

Source: Computed with Eviews 10

Table 6: Summary of OLS results for robustness check

Model 2: Dependent Variable: GDPpc				
Variable	Coefficient	Standard error	T-statistic	Probability
FDI	0.311	0.099	3.118	0.002
NEXP	0.086	0.022	3.909	0.000
EXR	0.012	0.743	7.047	0.000
D (OPEN)	-0.018	0.441	-2.180	0.033
D (NIMP)	-0.012	0.024	-0.518	0.606
R-Squared			0.259	
Adjusted R-squared			0.204	
Durbin-Watson statistic			2.614	
Normality test			9.420 (0.009)	
Serial Correlation test			1.855 (0.166)	
Ramsey Reset test			0.471 (0.001)	
Heteroscedasticity test			1.342 (0.260)	
Model 3: Dependent variable: GDPgrt				
Variable	Coefficient	Standard error	T-statistic	Probability
LOG_FDI	1.069	0.236	4.523	0.000
LOG_NEXP	0.581	0.099	5.819	0.000
EXR	0.062	0.845	3.360	0.002
D (OPEN)	-0.635	0.680	-0.361	0.720
D (NIMP)	0.040	0.225	1.764	0.324
R-Squared			0.567	
Adjusted R-squared			0.241	
Durbin-Watson statistic			2.123	
Normality test			20.59 (0.000)	
Serial Correlation test			1.337 (0.252)	
Ramsey Reset test			-0.236 (0.000)	
Heteroscedasticity test			0.414 (0.966)	

Source: Computed with Eviews 10

increase economic growth (Dritsaki and Stiakakis, 2014). However, to ascertain the if long run relationship exist between globalization, foreign direct investment and economic growth in the context of Nigerian economy, ordinary least squares (OLS) estimation procedure was employed. Thus, before the estimation, the model was taken through pre and post OLS estimation tests namely (Normality test, Breusch-Godfrey Serial correlation LM test, Ramsey Reset test and White Heteroscedasticity test) so as to fulfill the assumptions of classical linear model (Gujarati, 2003).

The P-values of the pre and post OLS estimation tests suggests that the error term of the estimated model are normally distributed, serially uncorrelated and homoscedastic, and the model is correctly specified (Table 4). With this findings, we proceeded in estimating the model. However, in addition, to deal with further autocorrelations that could occur in the process of estimation, the New-Wey west Hac procedure was used in the OLS estimation process to correct any form of serial correlation and the model were specified according to their order of integration.

The outcome of the OLS result from Table 4 below shows that, there are positive impacts of FDI, NEXP, EXR, OPEN and NIMP on Nigerian economic growth – real gross domestic product (RGDP) at 1% level of significance for FDI, NEXP and EXR; 10% level of significance for trade openness (OPEN) and 5% level of significance for net import (NIMP). The values of the coefficients suggests that all things being equal, if there is any single increase in the explanatory variables (FDI, NEXP, EXR, OPEN and NIMP), it would cause changes in the real gross domestic product (RGDP) by the magnitude of 0.940349, 0.433085, 0.310953, 0.001761

Table 7: Residual short run error correction results for robustness check

Model 2: Dependent variable GDPpc				
Variable	Coefficient	Standard error	T-statistic	Probability
ECT (-1)	-0.343	0.792	-3.410	0.001
C	0.091	0.089	1.018	0.312
Model 3: Dependent variable GDPgrt				
Variable	Coefficient	Standard error	T-statistic	Probability
ECT (-1)	-0.905	0.128	-7.070	0.000
C	0.728	0.788	0.924	0.360

Source: Computed using Eviews 10

and 0.108699. The results are statistically significance since there p-values are less than 0.05, except for trade openness (OPEN). Also, the measure of goodness of fit (R-squared) suggest 32% of economic growth are jointly explained by the model. Based on this findings, the study rejects the null hypothesis, implying that there is existence of long run relationship between the variables of the model. However, this findings tallied with other studies conducted by Zerrin and Yasemin (2018), Maduka et al. (2019), Olaniyi et al. (2016), Egberi and Samuel (2019) who posits that globalization have positive impact on economic growth; and Muhia (2019), Akhmetzaki and Mukhamediyey (2017), Olawumi and Olufemi (2016), Kuhn (2018), Majid and Elahe (2016), Mah (2017), Dinh et al. (2019) among others who opined that foreign direct investment have positive impact on economic growth and as Saibu and Akinbobola (2014) would portray it “globalizing an economy does not just increase economic growth, it leads to inter-country trade, technological advancement, transfer of knowhow, international division of labour and wealth creation.

Table 8: Causality result

Variables		F-statistics	Observation	Probability	Status	
OPEN	≠	RGDP	0.733	57	0.485	No causality
RGDP	≠	OPEN	0.903		0.411	
FDI	≠	RGDP	1.790	57	0.176	Unidirectional causality
RGDP	→	FDI	3.410		0.040	

Source: Computed with Eviews 10

5.5. Short Run Analysis

In other to examine the short run component of the model, the residual of the model was generated and subjected to Augmented Dickey-fuller unit root test and the coefficient of the residual was used as the coefficient of error correction model. Thus, the result is shown in Table 5 below.

From Table 5, the result of the error correction model, represents the speed of adjustment to long run equilibrium. In the words of Pahlavani et al. (2005), an error correction model should account for two notable outcomes namely: A negative sign and statistical significance and evidence from Table 5, shows that the coefficient of the ECT (-1) is negative and statistically significant at 1% level (Table 5). The result further suggested that the short run effect of the model will be adjusted in the long run with the speediness of 89% all things being equal. However, this findings coincided with studies by Maduka et al. (2019), Olaniyi et al. (2016), Egberi and Samuel (2019) who posits that globalization have positive impact on economic growth; and Akhmetzaki and Mukhamediyey (2017), Olawumi and Olufemi (2016), Majid and Elahe (2016), Dinh et al. (2019) among others who opined that foreign direct investment have positive impact on economic growth.

5.6. Robustness Checks

To critically ascertain if the findings of the OLS result above is true, other measures of economic growth which include gross domestic product per capita (GDPpc) and gross domestic product growth rate (GDPgtr) was employed in the study and model 2 was re-estimated by interchanging the dependent variables with the aforesaid variables of measures of economic growth yielding to models 2 and 3 and the outcomes are presented in Table 6 below. Before the estimation of the OLS result, the conventional pre and post OLS estimation tests were carried out on the models and the results shows that the conditional mean of the error terms are normally distributed, the error terms are homoscedastic and serially uncorrelated and the models are correctly specified (Table 6 for details). In addition, the variables of the model was estimated following their order of integration and New-Wey west Hac estimation procedure was used as well to correct any form of serial correlation.

From Table 6, findings from equation 2 shows that all the variables apart from trade openness (OPEN), and net import (NIMP), all other variables have positive impact on gross domestic product per capita (GDPpc). The result further posits that at 1% level of significant, foreign direct investment (FDI), net export (NEXP) and exchange rate (EXR) would induce changes in the GDP per capita by the magnitude of 0.311134, 0.086204 and 0.012287 all things being equal. Trade openness (OPEN) and net import (NIMP) at 5% and 10% critical levels, would cause changes in GDP per capita by the magnitude of -0.018406 and -0.012951.

The R-Squared – measure of goodness of fit shows that about 25% of variations in the GDP per capita are jointly caused by model. In the like manner, in equation 3, the coefficients of the variables have positive impact on gross domestic product growth rate (GDPgtr) apart from trade openness. Further findings from the results shows that all things being equal, a unit increase in the variables would lead to about 1.069298, 0.581912, 0.006200, -0.009635 and 0.040256 changes in GDP growth rate. The measure of goodness of fit (R^2) shows that 56% of the total variations in the GDPgtr are jointly caused by the model. Most of the variables in model 2 and 3 are statistically significance leading to rejection of null hypothesis. These findings coincides with the studies conducted by Zerrin and Yasemin (2018), Maduka et al. (2019), Olaniyi et al. (2016), Egberi and Samuel (2019) Muhia (2019), Akhmetzaki and Mukhamediyey (2017), Olawumi and Olufemi (2016), Kuhn (2018), Majid and Elahe (2016), Mah (2017), Dinh et al. (2019).

However, the major findings from the OLS robustness check results shows that, the result of model 2, contradicts the initial findings of the study since trade openness although negatively related to economic growth, but is statistically significant unlike in its outcome in the main model. But its negative impact connotes that the international trade in the Nigerian economy needs to be vividly addressed by the policy makers. Evidence from model 3 tallied with the findings from the main model, implying that globalization does not promote economic growth in Nigeria.

5.7. Short Run Analysis for Robustness Check

The results of the residual based error correction model for equation 2 and 3 are shown below:

Findings from Table 7, shows that the coefficients of the ECT (-1) are negative and statistically significant at 1% level (Table 5); which suggests that the speed of adjustment from short run to long run are 34% and 90% all things being equal. However, this findings also tallied with studies by Maduka et al. (2019), Olaniyi et al. (2016), Egberi and Samuel (2019), Akhmetzaki and Mukhamediyey (2017), Olawumi and Olufemi (2016), Majid and Elahe (2016), Dinh et al. (2019).

5.8. Granger Causality Test

The outcome from the OLS result which is the existence of long run among the variables, creates a ground to further examine the causality between trade openness (a measure of globalization), foreign direct investment (FDI) and real gross domestic product (RGDP). To do, Pairwise Granger Causality test was employed and the results are shown in Table 8.

Evidence from Table 8, shows that there is no causality between trade openness and economic growth in Nigeria, while

unidirectional causality exist between foreign direct investment (FDI) and real gross domestic product (RGDP). The findings from the causality test, shows that trade openness does not promote economic growth in Nigeria, but foreign direct investment on the other hand promotes economic growth in Nigeria.

6. CONCLUSION AND RECOMMENDATIONS

This section contains the concluding remarks of the study. This study focus on the impact of globalization, foreign direct investment on economic growth in Nigeria for the period of 1960 to 2019. Annul time series data generated from World Bank's World Development Indicators (WDI) which was regressed using the Ordinary Least Squares (OLS) econometric method of estimation. Real Gross Domestic Product was used to measure economic growth, also in the vein, trade openness (OPEN) was used as a proxy for globalization which was used to measure the extent Nigerian economy collaborates with international countries; foreign direct investment (FDI) measures the inward and outward capital investments of Nigeria; while other variables include net import (NIMP) and net export (NEXP) and the control variable is exchange rate (EXR). Due to the fact that time series data in most cases give spurious result if not properly handled, the variables was subjected to unit root test. To do this, I employed Augmented Dickey-fuller (ADF) test and complement it with Philips-Perron (PP) test. And the main reason for using the two tests rose from the fact that ADF test assumes the error term is homoscedastic, while the PP test makes a no – parametric correction of statistic unlike Kwiatkowski-Philips-Schmidt-Shin (KPSS) test. The findings from unit root test shows that the variables are statistically significance and integrated at level $I(0)$ and first different $I(1)$. Evidence from correlation test shows that trade openness and net export have negative correlation with economic growth in Nigeria for the sampled period. While foreign direct investment, net import and exchange rate have positive correlations with economic growth.

From the result of residual cointegration which was obtained by generating the residual of the specified model and subjecting it to Augmented Dickey-fuller unit root test, the findings suggests that there is existence of long run relationship between the variables of the model since the probability value of the ADF statistic is less than 5% level of significant. Furthermore, the model was estimated using OLS estimation technique and the results was obtained. Meanwhile, before the estimation of OLS in the study, the model was taken through the pre and post OLS estimation tests which include Normality test, Breusch-Godfrey Serial correlation LM test, Ramsey Reset test and White Heteroscedasticity test. The result suggests that the model is normally distributed and its error term are serially uncorrelated and homoscedastic and the model is correctly specified (Table 4). The evidence from OLS result shows that null hypothesis “there is no long run relationship between dependent variable (RGDP) and explanatory variable (OPEN, FDI, NIMP, NEXP and EXR)” was rejected since the P-values of the estimates are statistically significant apart from trade openness. The result from the residual error correction model

shows that all things being equal, the speed of adjustment from short run to long run in the model is 89%. Thus, these findings are in line with some extensive studies by Zerrin and Yasemin (2018), Maduka et al. (2019), Olaniyi et al. (2016), Egberi and Samuel (2019) who posits that globalization have positive impact on economic growth; and Muhia (2019), Akhmetzaki and Mukhamediyey (2017), Olawumi and Olufemi (2016), Kuhn (2018), Majid and Elahe (2016), Mah (2017), Dinh et al. (2019) among others who opined that foreign direct investment have positive impact on economic growth.

The result of the robustness check posits that globalization have negative impact on economic growth in Nigeria, and statistically insignificant in model 3 tallying with the main finding of the study. But at each point, foreign direct investment was seen as positively contributory factor to economic growth in Nigeria (Table 6).

Due to the aforesaid results on long run relation between, globalization, foreign direct investment, economic growth and other variables of the model obtained above, Pairwise Granger Causality test was employed to test the nature of causation between economic growth, trade openness and foreign direct investment. However, the result shows that there is no causality between trade openness and Nigerian economy; while unidirectional causality exists between economic growth and foreign direct investment.

Following the findings of the study, this research work concludes that there is existence of long run relationship in between foreign direct investment and economic growth in Nigeria. And there is also no long run relationship between economic growth and globalization in Nigeria since trade openness (OPEN) a measure of globalization was insignificant in the OLS estimation, shows negative correlation with economic growth and shows no existence of causality with economic growth in the Granger causality test (Tables 1, 4, and 6). Thus this findings about trade openness could be as a result of dearth in governance and institutional quality in Nigeria which adversely affect international businesses in Nigerian economy.

Based on the findings of the study, the following recommendations and policy options were made. Nigerian government is lagging behind in following the wave of globalization when compared with their counterparts globally, therefore, policies that fosters international trade, trade openness, globalization and removal of international trade bottlenecks should be pursued by government to attract sustainable economic growth and development in Nigeria. As no investor would like lose in his investment, Nigerian government should also make policies that would enhance governance and institutional quality so as to maintain peace and order in the country which in turn creates a fertile ground for investors (both domestic and international). Government should also make policies that would induce people to embrace digital financial inclusion since it easily increase globalization of an economy. Favourable business environments by providing basic social amenities like constant power supply, good roads, water supply, and internet broadband structures should be provided by government at an affordable rate so that citizens and foreigners investing in Nigerian economy can operate their business

conveniently. Trade restrictions like stamp duties, import and export charges, should be made affordable by Nigerian government so that importers and exporters would operate conveniently. Viewed in this manner, reaping the benefits of globalization as well as foreign direct investment on economic growth and development in Nigeria will be achieved.

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