IMPACT OF GLOBALISATION ON THE INDUSTRIAL GROWTH IN NIGERIA (1981 – 2014): IMPLICATION TO PSYCHOLOGIST AND ECONOMIST

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ABSTRACT

This research project investigates the impact of globalisation on Nigeria’s industrial growth and the psychological effect on people. It covers a range of 34 years (1981-2014). The objective of the study is to determine the extent to which the industrial output can be increased as a measure of globalisation. Therefore, the study relies on collected time series data and OLS regression analysis method was used to test the hypothesis. The result revealed that Nigeria does not benefit enough from globalisation even though trade openness tends to increase industrial growth. Based on the findings, trade openness, foreign direct investment and exchange rate have significant impacts on industrial growth. Also, there is overdependence of imported goods in the country. Thus, the government is now counselled to diversify into other aspects of the economy so as to promote trade information and expand the industrial market.

INTRODUCTION

Globalisation is a global phenomenon which has brought about rapid changes in the structure form of global economics, finance and societal relations; and it has popularity as one of the world’s global economic development tool. Economic globalisation is the increasing openness of the national economy to international trade, investment borrowing and lending, migration, aid economic policies, communication and other form of cooperation Onah(2002). Anugwom, (2007) opined that globalisation is the close interaction between national economics through trade investment and capital flows made possible by technological development and advancement in telecommunication world to a global village. Globalisation has evolved over the years but it’s rapidly intensified after the end of the world war.

According to Giddens (1990) Globalisation can be defined as “the intensification of worldwide social relation which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice-versa, irrespective of the ongoing controversy and measures of ambiguity in its uses, it often depicts the transformation of the relations between states, institutions groups and individuals, it describes the growing economic, political, technological and cultural linkages that connects individuals, business and Government around the world.

Globalisation slowed during the world war as a result of protectionist policies applied to defend ideological interest by the major protagonists. The main factors of this process are technology, policy and competition and its subsidiary national economics to global market conditions and practices. (Zainawa, 2006) Developed nations are the main beneficiaries of globalisation as their share of world trade and finance has expanded at the expenses of
developing countries. Thus, the process worsened inequality between the world’s region and providing in the developing world. Nigeria has not benefited from globalisation due to monoculture export, inability to attract increased foreign investment and huge indebtedness. The Nigerian states also need to be strengthen as a bulwark against the dictates of foreign capital. All these accomplished, Nigeria could join the league of countries enjoying the benefits of Globalisation.

Globalisation is a system that bestows advantages and possess challenges and risks to countries across the globe and has gained force from the last quarter of the twentieth (20th) century. It is the huge intensity of cross border trade and increased financial and foreign direct investments flows among nations, promoted by rapid enhancements and liberalization of communication and information technology. Even though globalisation has been present of the years, its authority and commanding attention has become exceptional. Globalisation in its form has aided the more developed countries at the cost of the developing or less developed counties. Friedman (2005) says that; Globalisation has been taking place for centuries and, with time, has accelerated, from the colonization of the inhabited parts of the world to the appearance of nations, from conquests to independent countries, from sailboats and caravans to steamboats, truck fleet and cargo planes, from trade in a few commodities to global production and distribution networks and to the present explosion of international flows services, capital, and information.

The Marxists believe that globalisation is a product of the capitalists and are and posited that the capitalist system characterize the use of exploitation which is a system of unsatisfactory and unequal exchange. Therefore, globalisation is in its own way exploitative being such a system. Kareem, Bakare & Ologunla, (2013) term globalisation has being in use since the mid-1980’s and since the mid 1990’s. Thus, we can trace the main originators of globalisation to the classical economists that revealed that trade can be advantageous to their nation. Globalisation developed through the Pre-capitalist era to the period of industrial revolution in England and evolved into what we are seeing today. Over the past two decades, world output has been expanding and many countries are benefiting from increased cross-border trade and investments. Globalisation leads to an increase in the growth rate of developing countries both directly and indirectly. It entails the breaking of trade barriers and linking of trade and other industrial resources between nations. More significantly, it influences the factors of economic growth such as transfer of technology, from developed to developing countries; reduction in the cost of capital as well as the development of agricultural exports. Secondarily, it increases production due to better risk management as well as improvement in macroeconomic policies and the competitive pressure. In recent years, the phenomenon has strengthened in its effects and has developed a very important issue for discussion in several mediums. The international institution that oversee world trade and finance like the IMF, the World Bank, WTO play an increasingly important role in this era of globalisation. Globalisation has both negative and positive impacts, amongst the negative impacts are the rapid and wide spread of diseases, crime, illicit drugs, terrorism and uncontrolled migration, which is one of the greatest problem facing Nigerian economy. The problem became more evident and heightened by the structural adjustment programme (SAP) and more recently by globalisation. (Toyo, 2000). Given the low level of industrialization and the SAP. The present era has the distinctive features of shrinking space, shrinking time and disappearing borders which are linking people’s lives more deeply, more immediately than ever before (Obadan, 2008). In 2000, the International Monetary Fund (IMF) identified four basic aspects of globalisation: trade and transactions, capital and investment movements, migration and movement of people and the dissemination of knowledge. Further, environmental challenges such as climate change, cross-boundary water and air pollution and over fishing of the ocean are linked with globalisation. Its developments affect and are
affected by business and work organization, economics, socio-cultural resources and the natural environment.

**Review of Related Literature And Empirical Studies**

This section critically reviewed and analysed extant literature on globalisation with a special focus on its impact, first, in developing contexts, then, specifically, on Nigeria economic industrial trajectory. Whilst there is no shortage of empirical research on the impact of globalisation on developed economies not enough have focussed on developing countries (Mbanefoh, 2002; Agba & Odu, 2013; Ebong ,Udoh and Obafemi( 2014). “Globalisation”, as a term is although ubiquitous, yet it seemed to have lost its precision due to the fact that it has multiple and diverse applications. Indeed, as Mbanefoh (2002) and Tamuno, & Edomiekumo, (2012) opined, globalisation directly or indirectly, impacts the social, economic and political facets of nations. This assertion is relevant not just because globalisation has become a “buzzword” that has attracted divergent opinions or views globally or because that there is no unanimity of opinion about what exactly globalisation denotes; but globalisation remains a contested concept now more than ever. Suffice to mention though is that according to President Robert Mugabe, the word “globalisation” is derived from the verb “globalise”, which meant to “make worldwide in scope” (Mugabe, 2002).

Empirical studies on the imperatives of globalisation on the economy are numerous. Employing time series data from 1970-2000, Ndiyo and Ebong (2003) examined the challenges of openness in developing countries for lessons to be drawn using Nigeria. However, Oyefusi and Udoh (2004) in their analysis of openness, trade Liberalization and economic growth in developing countries came to the conclusion that openness to trade is a necessary path a developing country must tread if it is to attain sustainable growth and development .The autoregressive models employed by Ebong ,Udoh and Obafemi(2014) also revealed that in Nigeria, trade integration - a proxy of globalisation - has significant positive effect on real output growth - a measure of economic growth. This indicates that globalisation leads to a rise in trade, increases living standards, investment and more capital flows as well as facilitates technology transfer to some extent. It has also led to increase in inequality and poverty levels which have deteriorated the level of development.

**Theoretical and Conceptual Framework**

Some underlying theoretical arguments that have been used to analyse and theorise the genesis and impact of industrialisation in different societies, most especially the developing contexts. Generally, the application and empirical relevance of many of the theories underpinning globalisation remains problematic. Max Weber for instance in his publication the Protestant Ethics and the Spirit of Capitalism, could only explain the influence of religious ideas on the economy and the origin of industrialisation in Europe especially the United Kingdom. Some scholars, like Agba and Odu (2013) among others have attempted to investigate the relevance of globalisation and its impact on industrial development in Nigeria within the ambit of Karl Marx’s theoretical framework of dialectical materialism. However, that framework (dialectical materialism) has been criticised for being too narrow and rigid to adequately explain Nigeria’s peculiar economic and industrial trajectory since it only focussed on the industrial backwardness of Nigeria. As such scholars like Ebong ,Udoh and Obafemi(2014) argued that industrialisation as a policy was designed to address Nigeria’s economic underdevelopment and was perceived by Nigerian policy makers and the elites as a
veritable channel of attaining the lofty and the desirable national goals of improved quality of life for the citizenry. Nevertheless, the utility of the dialectical materialism framework lies in its historical, path-dependent (Pierson, 1994) principle of exploring change and the associated conflicts and struggles between classes which helps may have helped in uncovering the peculiarity of Nigeria’s.

Moreover, Idyorough (2002), Agba and Odu (2013) have also contended that to use dialectic theory to explain the new economic order in modern Nigeria especially with regards to industrialisation and globalisation is to understand the role of international capital and transnational corporations in the evolutionary process of developing nations. Arguing that large scale production of goods and services by giant transnational and multinational corporations, have by their operations transformed the world into a global village with international capital and resources moving fluidly and seamlessly across national borders. Arguably, and coupled with advances in ICT and free flow of communications, advancements in supply chain management and logistics, which have made countries to be interdependent on each other for the supply of goods and services. Globalisation in this regards have thus unwittingly ensured that the resources and the means of production at the have shifted into the arms of the giant multinational and transnational corporations. (Ogunrinola & Osabuohien, 2010). This reality however has some validity when one considers the pervasiveness of the inequality in the relationship existing between Nigeria and some advanced societies, which continues to put Nigeria at a disadvantage, especially as Nigeria is a net importer of foreign goods and services. Thus, as Idyorough (2002) puts it, Nigeria has become a marketplace (rather than being a producer) whose economic system is determined by core nations of the West or the global North. Nigeria’s industrial landscape remain largely shaped by an unequal balance of power where the country’s industrialisation process is largely controlled by Western nations, through their multinational or transnational corporations, a situation that is still largely to the detriment of Nigeria’s economy. Even with the emergence of mega corporations like the Dangote organisation, the situation has not changed considerably.

Globalisation is manifested in the growth of world trade as a proportion of output (the ratio of world imports to gross world product, GWP, has grown from some 7% in 1938 to about 10% in 1970 to over 18% in 1996). It is reflected in the explosion of foreign direct investment (FDI): FDI in developing countries has increased from $2.2 billion in 1970 to $154 billion in 1997.

Globalisation is the term used to describe the growing worldwide integration of the people and countries. According to Paulo (1998) the process of increasing global integration has accelerated dramatically in the technology. Peter (2002) in his own view sees globalisation as a process of integrating economic decision-making such as consumption, investment and saving all across the world. This means that globalisation is a process of crafting universal market place in which progressively, all nations are required to partake.

**RESEARCH METHODOLOGY**

The regression analysis method was employed to determine whether to accept or reject the formulated hypothesis of the study through the secondary data collected from Central Bank of Nigeria(CBN) Statistical bulletin for various years covering 1981 - 2014. In the model specification the research study examines the impact of globalisation on the industrial growth, industrial GDP is used as the dependent variable. The explanatory variables are trade
openness, exchange rate, interest rate, and foreign direct investment. The equation is expressed as:

$$INDGDP = f(TOPN, EXRT, INRT, FDI)$$

Where:

$$INDGDP = \beta_0 + \beta_1TOPN + \beta_2EXRT + \beta_3INRT + \beta_4FDI + \varepsilon$$

$$INDGDP = f(IMP, EXP)$$

Where;

INDGDP = Industrial GDP, TOPN = Trade Openness (Globalisation), EXRT = Exchange Rate, INRT = Interest Rate, FDI = Foreign Direct Investment, IMP = Import, EXP = Export

**Method of Data Analysis**

The Ordinary Least Square (OLS) estimation technique was used to estimate the parameters of the specified models. The OLS estimation is carried out using econometric views (E-Views) software.

The estimated model is evaluated using diagnostic and summary statistics such as unit root test, t-statistics, co-efficient of multiple determination ($R^2$), adjusted $R^2$, F-statistics and Durbin-Watson (d) statistics. The statistical tests will help this study determine the robustness of the model.

**Analysis of Regression Results**

$$INDGDP = \beta_0 + \beta_1TOPN + \beta_2EXRT + \beta_3INRT + \beta_4FDI + \varepsilon$$

$$INDGDP = 10956.563 - 12115.70TOPN + 57.25583EXRT + 30.11687INRT + 1.07FDI$$

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>1956.3</td>
<td>1541.862</td>
<td>1.268961</td>
<td>0.2145</td>
</tr>
<tr>
<td>TOPN</td>
<td>-12115.70</td>
<td>3043.459</td>
<td>-3.980899</td>
<td>0.0004</td>
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<tr>
<td>INRT</td>
<td>30.11687</td>
<td>104.2592</td>
<td>0.288865</td>
<td>0.7747</td>
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<td>EXRT</td>
<td>57.25583</td>
<td>10.46090</td>
<td>5.473315</td>
<td>0.0002</td>
</tr>
<tr>
<td>FDI</td>
<td>1.07</td>
<td>2.56E-07</td>
<td>4.182781</td>
<td>0.0002</td>
</tr>
</tbody>
</table>

**SOURCE:** E-VIEWS REGRESSION OUTPUT

R-squared: 0.871815

F-statistic: 49.30893

Adjusted R-squared: 0.854134

Durbin-Watson statistics (0.903433)

**Analysis and Interpretation**

From the regression result, as a measure of Globalisation on Industrial GDP, the result shows that without the impact of other independent variables, Industrial output must rise by 10956.563 units. And as a measure of Trade Openness on Industrial GDP, the result from the second shows that industrial output will rise by 377.1554 with the impact of the both variables.

From the estimated regression models above, it is observed that the variables exchange rate, foreign direct investment, without trade openness and interest rate rightly conformed to their a priori expectations. The coefficients of the explanatory variable trade openness is negative; indicating that a unit change in trade will lead to a decrease in the value of industrial output (INDGDP) absolutely by 12115.70 units. Also, an increase in the exchange rate by one unit
will bring about an increase in INGDP by 57.25583 units. Whereas, the value of interest rate which opposed to its a priori expectation shows a positive relationship, this indicates that a unit increase in interest by 1 will increase the value of industrial output by 30.11687 units. And lastly, the value of foreign direct investment which is positive, shows that a unit increase in foreign direct investment will increase INGDP by 1.07 units.

Also, as a measure of trade openness the values of import and export which show positive values as against Industrial GDP at 0.961278 and 0.447311, show that a unit increase in import by 1 will increase INGDP by 0.961278 units. And a one unit increase in export will increase INGDP by 0.447311 units.

The estimated model is of a good fit, shown by the coefficient determination of the R-squared is 87.18% in the first model. This means that 87.18% of the variation in Industrial GDP is explained by the variations in Globalisation in the first model. 12.82% of the variations in Industrial GDP are not explained within the model. Meaning that 12.82% of the variations in the first model is explained by the error term. Also, in the second model, the R-squared is 97.92%, showing that 97.92% of the variations in Industrial GDP is explained by the variations in Trade Openness. 2.08% of the variations in Industrial GDP are not explained in the second model. Meaning that 2.08% of the variations in the second model is explained by the error term.

**Table 2**

<table>
<thead>
<tr>
<th>F-CALCULATED</th>
<th>F-TABULATED</th>
<th>DECISION</th>
</tr>
</thead>
<tbody>
<tr>
<td>49.30893</td>
<td>2.15</td>
<td>REJECT H₀, DO NOT REJECT H₁</td>
</tr>
<tr>
<td>732.0669</td>
<td>2.50</td>
<td>REJECT H₀, DO NOT REJECT H₁</td>
</tr>
</tbody>
</table>

Source: E-View output and researcher’s computation

From the F-table showing the F-statistics results for both regression, we reject H₀ at 49.30893 and 732.0669 for F_cal respectively and 2.15 and 2.50 for F_tab. This concludes that the model is statistically significant has a goodness of fit.

**TABLE 3**

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>T-CAL</th>
<th>T-TAB</th>
<th>LEVEL OF SIGNIFICANCE</th>
<th>CONCLUSION</th>
</tr>
</thead>
<tbody>
<tr>
<td>CONSTANT</td>
<td>1.268961</td>
<td>2.045</td>
<td>0.05</td>
<td>INSIGNIFICANT</td>
</tr>
<tr>
<td>TOPN</td>
<td>-3.980899</td>
<td>2.045</td>
<td>0.05</td>
<td>SIGNIFICANT</td>
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</tr>
<tr>
<td>FDI</td>
<td>4.182781</td>
<td>2.045</td>
<td>0.05</td>
<td>SIGNIFICANT</td>
</tr>
</tbody>
</table>

Source: E-View output and researcher’s computation

From the table above, rate of interest was revealed to be insignificant, while other variables such as trade openness, exchange rate and foreign direct investment were significant.

The Durbin Watson d-statistics will be computed with the given level of significance at 5% (i.e. α = 0.05). Based on this, we state the following decision rules that;
From the results gotten in the first regression, \( d = 0.903433, d_L = 1.144 \) and \( d_U = 1.808 \). Thus, with the results, we reject \( H_0 \) because \( d < d_L \). Therefore 0.903433 is less than 1.144 and then it is said that there is evidence of positive autocorrelation among the residuals.

**DISCUSSION OF FINDINGS**

The calculated regression results as estimated by E-views shows the measure of globalisation and trade openness on industrial growth in Nigeria. In the first model, the R-squared which shows the coefficient of determination was calculated as 87.18% showing that the model is of a good fit and that 87.18% of the variations in industrial output is explained by globalisation noting that only 12.82% is not explained within the model. Also, the F-stats which measures the overall significance of the model was calculated as 49.30893 which is statistically significant at 5% level showing that the model is of good fit. The test for individual significance of the independent variables showed that most of the variables except interest rate were significant. Thus, the regression model when estimated showed that globalisation has little significant and reduces the level of industrial growth in the country. Also, as a measure of trade openness in the second model, the R-squared was 97.92% with the F-stats being 732.0669 showing that the model is of good fit has is statistically significant. As well, the individual significance of the independents variables of imports and exports were both significant, this then proves that trade openness has a significant impact on industrial growth in Nigeria.

The situation of the findings of this research compared to other research articles in this study is in line with the findings of Oyefusi & Udoh, (2004); Ebong ,Udoh and Obafemi (2014). They came to the conclusion that the lack of positive impact of globalisation on Nigeria, is due largely to the failure of the country to possess pre-conditions like; appropriate domestic policies, adequate human capital, the capacity for strategic government intervention, and proper harnessing of the socioeconomic-cum political factors supportive of growth in increasing industrial performance.

**SUMMARY OF THE FINDINGS**

Globalisation being a world phenomenon, it has impacted a lot on developed countries. Nigeria's ambition to industrialize has been negatively affected by globalisation which has led to stagnation of the country's manufacturing and industrial performance over the years and the persistent decrease in industrial production by firms, especially the manufacturing industries. (Aluko,Akinola & Fatokun, 2004). This can be used as an explanation to why the degree of trade openness which represents globalisation in the model is negatively related with the industrial value of the Gross Domestic Product, because most of the goods consumed today in the country are imported. Although as a proxy on its own to trade openness, the variables in the second model which show the lone effects of imports and exports on industrial growth, it shows that Nigeria’s participation in globalisation process has led a to a little development of the industrial market and output. But the increasing rate of exports in the country decreases the value of industrial growth.

- There is a high dependence of imported goods as against those manufactured in the country. Therefore most local manufacturing industries have the problem of meeting the price, quality and demand of the imported goods.
- There is an increasing rate of the involvement of multinational corporations (MNC’s) in the country and an increase in the value of foreign direct investment in the industrial market. This tends to increase the industrial performance of the country in
the aspects of manufacturing goods and commodities. As such this results in a significant impact on industrial output in the country.

c. There is persistent increase in the rate of exchange in currency in the foreign exchange market, which makes the country vulnerable and susceptible to foreign invasion. But this as a result leads to high industrial output and performance. The economic significance of this impact is that as the forex or exchange rate increases, the rate of foreign direct investment and acquisition of local industries by foreign firms in the industrial and manufacturing market increases the rate of industrial output in the country.

CONCLUSION

This work examined and analysed the impact of globalisation on industrial growth in Nigeria. Based on the f-statistics, the model having been statistically significant but showing that globalisation is not favourable on industrial growth in Nigeria. But in terms of trade openness as a proxy of globalisation it showed that trade openness being represented by globalisation has a significant impact on industrial growth in Nigeria.

RECOMMENDATION(S)

The following Counselling approach are suggested for implementation after the having analysed the impact of globalisation on Nigeria’s industrial growth; The Nigerian government should diversify into other aspects the economy so as to promote trade information and expand the industrial market, as well, the government should set up a favourable setting for foreign direct investment to contribute to export which will lead to industrial growth. Government should encourage export promotion and import substitution so as to reduce the overdependence of imported goods and decrease the unfavourable balance of trade. By importing raw materials and exporting finished goods. Government should also encourage and promote local and domestic manufacturers and industries by giving them incentives like tax holidays, tax rebates, subsidies, concessions, uninterrupted power supply, technical assistance etc.

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