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Exploring Global Market Opportunities for Nigeria Economic Development

[1]Iliya Bawa, PhD, [2]Abubakar Ibrahim and [3]Abubakar Haruna

[1]Department of Business Administration, Federal University Lokoja, Kogi State – Nigeria [2]Department of Marketing, School of Business Studies, Federal Polytechnic Nasarawa – Nigeria [3]Department of Marketing, ISM Adonai University, Cotonou Republic of Benin

Abstract

Globalization has been celebrated as a key to development. The global competition that came from the world integration has led to tremendous progress in the economy of the world, but in Nigeria, its economy is below expectation compared to other nations in the world. The level of marginalization is noted in the distribution index between developed and undeveloped nation. This margin is a clear indication why some countries are richer than others. In other to address these problems, research purpose is formulated which aims to analyze the effect of global market space on Nigerian economic. Quantitative research methodology was used. Data sourced from CBN statistical bulletin for 2002 – 2018 was used for the analysis. The results of regression analysis when economic development proxy as Gross Domestic Product (Dependent Variable) and foreign direct investment inflow, total import, balance of trade, total trade and total export proxy as globalization (independent variables) shows that all the independent variables are positively and significantly related to Gross Domestic Product except total export which was found to be negatively related to Gross Domestic Product. Base on these findings the study recommended that the government should implement strong macroeconomic and structural policies required to gain confidence of foreign investors so as to boost the country's productivity, growth and competitiveness.

Key Terms: *Globalization, Economic growth, Gross Domestic product, Economic Development, Global market*

Introduction

The effect of globalization has resulted to wide gap between rich countries and poor countries and this is evidence of a fast growing gap between the two economies. The distribution of its gains and losses are controlled by the developed nations over developing nations. According to United Nations Development Program (UNDP, 1992) publication, comparing the two economies, there is a difference of 81.3% showing a level of marginalization in the distribution index between developed and undeveloped nation. This margin is a clear indication why some countries are richer than others. Khor (1995) argue that globalization favors one side of the world called 'stronger countries' more than the other side of the world called 'weaker countries'. Ogboru (2004) concludes that globalization results to uneven distribution of benefits and losses on economic growth of emerging economies and the Nigeria's situation is not quite different. As a result of this, it favors developed countries more than developing countries because of their weaker macroeconomic and structural policies adopted.

Statement of the Problem

The global competition that came from the world integration has led to tremendous progress in the economy of the world. But in Nigeria its economy is below expectation compared to other nations in the world. Findings have shown that globalization which is expected to result to economic growth and development across the globe has led to a gap between the poor and rich countries and this gap is growing very fast. Developed nations controlled the loss and gains distributions over developing countries. UNDP (1992) noted that 20% of population of the world in developed nations got 82.7% of the total world income; 20% of population of the world in developing nations got only 1.4% of the total world income. A difference of 81.3% is noted when the two economies were compared and it indicated distribution index marginalization between the underdeveloped countries and developed countries. Nigeria situation is not an exception. It been a while, the GDP of Nigeria is inadequate this has resulted to poor standard of living and unimproved condition of living. Apart from its polarization effect, it also influences economic growth and expansion in some developing countries like Nigeria due to her poor social infrastructure and domestic economic capacity; thereby resulting to low commodity prices and dept. as well as preventing the country from benefiting from export opportunities as pointed by (Obadan, 2001 & Ogboru, 2004). Several researches have been identified in this area of study. However, very little or no research has been identified on: "Exploring Global Market Opportunities for Nigeria Economic Development" from (2002-2018). The above gap demarcates this research from previous studies thus leading to main study objective, which investigates global market space. To explore this study further, the relevant question that calls to mind is what impact does global market space play on Nigerian economic development? In other words, this study links globalization and gross domestic product (GDP) (as evidenced to have any relationship on Nigeria economy between the periods of 2002-2018).

Literature Review

Conceptual framework

Globalization

Loto (2011) stress that globalization opens and stabilizes the economy through export strategy. Structural adjustment program (SAP) is one of the measures adopted as liberation strategy for any economy to be open and also penetrate international market. However, globalization has negative effect. One of these effects of globalization is that it does not improve global welfare as noted by (Obaseki & Ojo, 1998). Ogboru (2004) admits that globalization tends to favor countries that have adopted strong macroeconomic and sectoral policies. The same author referred to this situation of unequal distribution of benefits and losses between two economies of strong and weak nations as "marriage of unequal". In view of this, Obaseki and Ojo (1998) note that developed nations (such as; Europe, Japan, North America and others) are favored while developing countries such as (Nigeria, Ghana, Cameroon and others) are not favored. Schneider and Enste (2002) observe that many other countries suffer because their economic regimes were not properly managed, and this weakness unsavory reduces their global competitive edge. The authors stress that, international flow of capital, technological improvement in information and communication and liberalization of financial markets are strategies to get rid of market forces.

Economic Development and Global Market

Report by OECD (2005) states that globalization is a multidimensional and procedure of integrating economies whereby resources change to more internationally and mobile also national economies turn to increasingly interdependent. According to (UNCTAD, 2002) report, globalization is driven by the following; technological changes, improved transportation and competition. Improvement in information technology and communication (ICT) promotes trade and reduces risk of doing business between nations. On the other hand, it also reduces lead time (that is, transit time) by approximately 67%. Competition also allows firms to compete favorably by increasing efficiency and cost reduction. Most government policies have removed barriers to trade and control international mobility of capital and services, thus creating market equilibrium in a closed economy. The government of Nigeria considered economic development as its task and this has resulted to its interest to grow the country's economy. The quality of its environment has been declining, the environmental pollution and resource depletion have become a problem that require government policies. The need for industrial sector to be sustainable is recognized globally. Ekpo (2015) noted that economic growth and rise in GDP is not enough for development to be sustainable. Economic development is more than a growth that is sustain it has to be sharing, equity and fairness. This means development has to rise in arithmetic or geometric progression. Once an economy shift forward with a step and then backwards with two steps, and rise in poverty, it is not developing. Development need to include all parts of a population bettering the standard of living of all people. James (2015) observed that economic sustainability is an important parts of development that is sustainable. Even though the country has many resources it is rated low in performance in terms of economic development.

Theoretical Framework

Internationalization Theory (IT)

Buckley and Casson (1976) explain that the theory give details on the factors which propel organization to extend their operation further away from their environment and make decision on the mode of entry. The internationalization theory explain the relative benefits and cost of serving foreign country market internally through multinational corporation than making it externally. That the decision of an organization to enter foreign market or create an internal market depend on the presence of conditions like transaction cost. The internationalization theory is base on the idea that an organization will choose the option of creating its internal market if the cost of business transaction is lower and it will like to go into a foreign market when it has a great competitive advantage over indigenous companies and could protect some unique specific advantages.

Neo-keynesian supply theory

According to Blanchard (2009), this theory has it foundation from the keynessian cost push model which state that there are two types of inflation; cost push inflation which is as a result of aggregate supply curve and demand pull inflation which is as a result of inadequacy in aggregate demand. The aggregate supply inability to respond quickly and increase changes in aggregate demand led to problem of market supply equation and result to shocks in supply. What causes insufficient supply are;

i. Government restriction on production control
ii. Religious or political problem
iii. Scarcity of capital, major commodities and natural resources for production of services or goods.

Shortages of resources may affect raw materials availability and this may lead to decrease in output and persistence rise in prices. It is expected that aspirant of global market space should put the above forces into consideration.

Mundel-Fleming Model of Open Economy

Mundel-Fleming model of open economy is founded on one price basis. Obaseki and Ojo (1998) noted that once a nation open its economy, the economic growth will be high. The authors highlight that economy of a nation is fully opened and liberalized when it contains the following factors; competitiveness, the level of the exchange rate, domestic gross capital formation, among other things. Mundel-Fleming model of open economy is derived from growth rate of GDP. It is mathematically stated as follows:

$Y = f^{(t/y,\ r,\ mg,\ f/y,\ In)}$ ………….equation (1)

$t/y > 0$, $r > 0$, $m > 0$, $f/y <$, $In < 0$

Where

Y = GDP

t/y = Total trade /GDP)

r = Measure of real exchange rate

mg = Measures of real growth rate of money supply

f/y = Ratio of fiscal deficit /surplus over GDP

In = Inflation

Obaseki and Ojo (1998) further conclude that a positive sign is expected to show in an index for openness variable and real exchange rate; while a negative sign is also expected for money supply variable, ratio of fiscal deficit /surplus over GDP and inflation. The outcomes are based on a priori expectation.

Model of Closed Economy

Study of Obaseki and Ojo (1998) point that closed economy is one whose state of equilibrium is attained. The authors further stress that in such an economy the aggregate demand (Ad) must be equal to aggregate supply (As). Aggregate demand comprises of government fiscal operations such as, expenditure, marginal productivity of capital, income, consumption, capital stock, interest rates and among others. The authors also note that, aggregate demand or supply has relationship with adsorption which is represented mathematically as:

$A^d = A^s$

$A^d = A$……………….. equation (2)

A^d = aggregate demand; A^s = aggregate supply; A = adsorption

According to Obaseki and Ojo (1998), equation (2), indicate that aggregate demand grows through absorption, and by implication it constitutes a major problem to that economy thus limiting the extent of its economic growth. In the case of open economy, additional savings from other countries is used for investment purposes in that economy. The authors also point that, in an open economy, import from other countries helps in the production purposes. Apart from that, resources can also be exported to other countries to earn foreign currencies necessary for economic growth. This is further explained in equation (3) as follows; where

$A^d = A = Cab$…………….. equation (3)

Where, *Cab* = Current account balance

In view of this, Obaseki and Ojo (1998), further stress that aggregate demand is also a function of current account balance. Current account balance comprises of several factors such as; domestic absorption, foreign absorption and real exchange. In principle, aggregate demand represents a function of both domestic and foreign influences and factors. Based on this assumption, equation (4) is formulated.

Y = A + Cab + Tr_ft………… equation (4)

Where, Y = Aggregate growth rate of output or GDP

Tr = Transfers

N_{ft} = Net Foreign Indebtedness

Research Methodology

Data for the purpose of analysis is quantitatively sourced from CBN Statistical Bulletin, 2019. For the priod of 2002-2018.

Model Specification

To capture the precise link between global market space and economic development, the study adopts an empirical model that incorporates the effects of independent variables on the dependent variable between 2002-2018. Based on the specification above, a functional model was stated as follows:

GDP = f(FDII, IMP, BOT, TT, EXP)

Where GDP = Gross Domestic Product (dependent variable) economic development

FDII = Foreign Direct Investment inflow

IMP = Total Import

BOT = Balance of Trade

TT = Total Trade

EXP = Total Export

(Predictor variables) globalization proxy as global market space

In econometric form the model is specified as:

$GDP = \beta_0 + \beta_1 FDII + \beta_2 IMP + \beta_3 BOT + \beta_4 TT + \beta_5 EXP + \mu t$

β_0 = Intercept of the model

$\beta_1 - \beta_5$ = Indicates coefficients of the variables

μt = Represents disturbance or error term

Data Presentation

This section presents the data collected and interprets the results obtained from quantitative research. Independent variables such as import, export, total trade, foreign direct investment (inflow), balance of trade and dependent variable (Gross Domestic Product, GDP) was presented against time period of 2002-2018. The table is shown below.

Data on global market space variables (import, export, total trade, foreign direct investment inflows and balance of trade) and Economic Development (Gross Domestic Product) against time periods.

Year	Foreign Direct Investment (Inflow)	Total Trade	Total Import	Total Export	Balance of Trade	Gross Domestic Product at Current Basic Prices
2002	8988.50	3256.87	1512.70	1744.18	231.48	11332.25
2003	13531.20	5168.12	2080.24	3087.89	1007.65	13301.56
2004	20064.40	6589.83	1987.05	4602.78	2615.74	17321.30
2005	26083.70	10047.39	2800.86	7246.53	4445.68	22269.98
2006	41734.00	10433.20	3108.52	7324.68	4216.16	28662.47
2007	54252.20	12221.71	3911.95	8309.76	4397.81	32995.38
2008	37977.70	15980.87	5593.18	10387.69	4794.51	39157.88
2009	56297.30	14086.98	5480.66	8606.32	3125.66	44285.56
2010	65130.40	20175.45	8163.97	12011.48	3847.50	54612.26
2011	72428.40	26232.53	10995.86	15236.67	4240.80	62980.40
2012	80822.50	24905.88	9766.56	15139.33	5372.77	71713.94
2013	90526.80	24701.44	9439.42	15262.01	5822.59	80092.56
2014	93411.30	23499.27	10538.78	12960.49	2421.71	89043.62
2015	94218.40	19921.23	11076.07	8845.16	-2230.91	94144.96
2016	96255.30	18315.98	9480.37	8835.61	-644.75	101489.49
2017	98292.20	24792.99	10804.85	13988.14	3183.30	113711.63
2018	99065.90	32725.15	13445.11	19280.04	5834.93	127762.55

Source: CBN Statistical Bulletin, 2019

Regression Analysis

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-598.983	4929.673		-.122	.905

1	Foreign Direct Investment (Inflow)	.225	.211	.195	1.066	.307
	Total Import	4.414	1.482	.469	2.979	.012
	Balance of Trade	.728	.959	.045	.759	.462
	Total Trade	10.348	1.675	2.355	6.179	.000
	Total Export	-11.740	2.964	-1.510	-3.962	.001

a. Dependent Variable: Gross Domestic Product

Regression equation results:

GDP = -598.983 + 0.225FDII + 4.414IMP + 0.728BOT + 10.35TT – 11.74EXP

(-0.122) (1.066) (2.979) (0.759) (6.179) (-3.962)

* The parenthesized figures below the coefficients are the t-values.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.984[a]	.968	.958	7631.60149	1.072

a. Predictors: (Constant), Balance of Trade, Foreign Direct Investment (Inflow), Total Import, Total Trade, Total Export
b. Dependent Variable: Gross Domestic Product

Multiple R: 0.984
R-Square: 0.968
Adjusted R-square: 0.958
Standard Error: 7631.60149
F- Statistics: 91.262
Durbin Watson: 1.072

Findings

Foreign Direct Investment Inflow is found to be positive at a t–ratio of 1.066 and it has a positive impact on Gross Domestic Product, having the value of its coefficient as 0.225. The sign indicate that coefficient of Foreign Direct Investment Inflow is positively related to Gross Domestic Product.

Total Import is found to be positive and significant at a t– ratio of 2.979. It has a positive impact on Gross Domestic Product, having the value of its coefficient as 4.414. The sign indicate that Total Import is positively related to Gross Domestic Product.

Balance of Trade is found to be positive and insignificant at a t– ratio of 0.759 and it has a positive impact on Gross Domestic Product, having the value of its coefficient as 0.728. The sign indicate that Balance of Trade is positively related to Gross Domestic Product.

Total Trade is found to be positive and significant at a t– ratio of 6.179 and it has a positive impact on Gross Domestic Product, having the value of its coefficient as 10.348. The sign indicate that coefficient of Total Trade is positively related to Gross Domestic Product.

Total Export is found to be negative and insignificant at a t– ratio of -3.962. It has a negative impact on Gross Domestic Product, having the value of its coefficient as -11.740. The sign indicate that Total Export is negatively related to Gross Domestic Product.

Coefficient of determination (R^2)

The R-Square is 0.968, which suggests a strong positive relationship between the dependent variable that is: Gross Domestic Product and the independent variables: Foreign Direct Investment (Inflow), Total Trade, Total Import, Total Export, Balance of Trade and Gross Domestic Product at Current Basic Prices. The adjusted R^2 of 0.958 suggests that 96% of the total change in Gross Domestic Product can be attributed to the Independent variables.

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.126E10	4	5.315E9	91.262	.000[a]
	Residual	6.989E8	12	5.824E7		
	Total	2.196E10	16			

a. Predictors: (Constant), Balance of Trade, Foreign Direct Investment (Inflow), Total Import, Total Trade, Total Export

b. Dependent Variable: Gross Domestic Product

F-Test

If F*>F, we reject the null hypothesis and if otherwise, we accept the null hypothesis. Given the results on the ANOVA table, the observed F* = 91.262 At 5% level of significance, our theoretical F, given our level of significance and degree of freedom is $F_{0.05}$ = 91.262 comparing these values

$F^* > F_{0.05}$

i.e. 91.262 > 3.23

The conclusion from such result is that we reject our null hypothesis that all bi are zero and accept our alternative hypothesis that all bi different from zero.

Conclusion

This study conclude that globalization exposes nations to opportunities because the analysis has proved that savings generated domestically are inadequate to bring investment, trade has potential gains, exportation augment revenue and lead to economic development.

Recommendations

Nigeria government should provide dependable, transparent and open conditions for different types of firms whether domestic or foreign to ease the way of doing business and reduce restrictions on foreign direct investment inflow. Government should implement strong macroeconomic and structural policies required to gain confidence of foreign investors so as to boost country's productivity, growth and competitiveness.

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