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Economic Globalization and Economic Performance Nexus: Does the Moderating Role of Governance Matter?

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This inquiry was inspired by the quest to examine the interaction effects of economic globalization and governance on the performance of the Nigerian economy from 1996 to 2021. The study employed the modern Autoregressive Distributed Lag Model (ARDL) approach to analyze the annual time-series data obtained from the World Bank Development indicators (WDI) and the KOF institute. Based on the estimated results, the empirical findings indicate that changes in economic globalization and governance exerted a positive and statistically significant long-run impact on Nigeria's economic performance. Consequently, the interaction between economic globalization and governance had a positive and significant long-run effect on the nation's economic performance. The foregoing suggests that governance is a significant moderating factor between economic globalization and economic performance. From the purview of policy formulation, the findings call on the government to continue to strengthen institutional quality in order to fully harvest the benefits of economic globalization in its quest to attain sustainable economic development.

Keywords: Globalization, governance, economic performance, autoregressive distributed lag, foreign investment

JEL: C32, F02, F43

Globalization is apparently one of the many highly debated topics in the growth and development literature (Ahmad, 2019; Heimberger, 2022; Shittu et al., 2020). Kofi Annan, the former Secretary General of the United Nations, is once reported to have said the statement "It has been said that arguing against globalization is like arguing against the laws of gravity". From a theoretical standpoint, the concept of economic globalization injects positive impacts on economic performance through different channels such as technological diffusion, accelerated knowledge transfer among various economies, innovation, effective allocation of local resources, capital augmentation, and transformation of factor productivity. Despite the theoretical assertion above, the empirical revelations on economic globalization and economic growth relationships are far from been conclusive in the literature (Grossman and Helpman, 2015; Iheanachor and Ozegbe, 2021; Samimi and Jenatabadi, 2014). Generally, empirical studies on the effects of globalization on growth can be divided into three general groups. First, studies with findings that support the positive effects of globalization on growth (Dollar, 1992; Heimberger, 2022; Iheanachor and Ozegbe, 2021; Iheanachor *et al.,* 2023b; Kilicarslan and Dumrul,

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2018; Salifou and Haq, 2017; Shittu *et al.*, 2020). Second, studies that are postulating the adverse effects of globalization on growth (Polasek and Sellner, 2011 and Stiglitz, 2004) and finally studies that argue that the positive growth-effects of globalization dependent upon complementary policies (Bakare *et al.*, 2023; Calderón and Poggioa, 2010).

Therefore, this study is motivated by the desire to examine the interaction effect of political governance and economic globalization on Nigeria's economic performance using the neoclassical growth model Solow (1956) and Swan (1956) as a theoretical foundation. The theory posits that an economy can attain a long-term growth rate as exogenously provided outside the economic system through foreign capital flows, technological progress and labor force. The neoclassical model of economic growth includes the effects of governance, institutions and other variable on economic growth, which enables researchers to incorporate such variables in their model to be able to analyze their effects on economic growth.

The choice of political governance/institution is informed by the assertion that political institutions may be among the deep causes of economic performance. This follows the hierarchy of institutions theory (Acemoglu *et al.*, 2005), which posits that economic institutions are dependent on political institutions. The latter's role is indirect, however, and operates through their impact on a country's chosen economic institutions and their effect on economic growth. Hence, an increase in FDI and improved governance quality tend to stimulate the growth of an economy. In addition, as explained in Assunção *et al.* (2011) and Shittu *et al.* (2020) the institutions (the "rule of the game") largely determine the approaches and performances of organizations in the foreign markets. In particular reference to FDI, the institutional theory asserts that companies are faced with complex and uncertain operating environments, as a result of which domestic institutional forces (such as regulations) are factored into their investment decisions (see Iheanachor *et al.*, 2023a; Ozegbe and Kelikume, 2022; Song *et al.*, 2020; Yi *et al.*, 2019). Given these, we expect the interaction effect of economic globalization and governance to enhance the growth of the emerging economy like Nigeria. Furthermore, the Jain *et al.* (2021) posit that there is an inverted U-shaped relationship between government size and economic growth. A positive relationship exists where the size of government falls short of the optimal level and becomes negative when the level exceeds the threshold level of government size. This is in line with Whajah *et al.* (2019) who not only assume a linear relationship–in view of unending debate on the nature of the relationship–but also hypothesizes a negative relationship between the two variables. Finally, the theory of comparative cost advantage (Ricardo, 1955) opines that nations should embark on the production of goods and services in which they have a comparative cost advantage when compared to

other nations and therefore obtained those other goods and services to which they have comparative cost disadvantage. On this basis, nations seem to reduce their overall cost and therefore, attain more profit in the trade process. Following this assertion, it is expected that economic globalization translates to accelerated economic performance.

From the foregoing, it is essential to raise some research questions to underpin the conduct of this particular inquiry. Does globalization affect economic growth in Nigeria? What are the effects of governance on Nigeria's economic performance? Does the interaction between globalization and governance affect Nigeria's economic performance? The answers to these questions would provide policymakers, researchers, and other critical stakeholders with essential insights on the mediating role of governance in the relationship between globalization and economic growth in Nigeria.

The specific goal of this study is to examine the relationship between globalization, governance, and economic growth in Nigeria. The Nigerian economy has been adjudged to be suffering from weak economic performance in recent years despite the emergence of high level of globalization which is attributable to the stable governance system in the country in the last two and a half decades. Therefore, this study contributed to extant empirical literature by exploring the globalization–growth relationship through the lens of governance in Nigeria, having some relevance for national policy formulation.

Following the above introductory section, the next section examines the literature review while the third and fourth sections outline the method of analysis, results and discussions, while the final section contains the conclusion, implication, limitation and the direction for further research.

LITERATURE REVIEW

Theoretical Underpinnings

The Neoclassical theory of economic growth espoused by Solow (1956) and Swan (1956) posits that an economy can attain a long-term growth rate as exogenously provided outside the economic system. The theory is built on the basis of four critical variables: labor, capital stock, output, and knowledge (which indicates the magnitude of technological advancement). These four variables help in espousing the growth path and pattern of an economy (see figure 1). Since savings rate, technological progress, and working population growth are variables determined outside the model, capital and labor emerge as the twin production inputs required to drive output (Mankiw *et al.*, 1995). The Cobb–Douglas function at time (t) with these assumptions was derived based on the augmented neoclassical growth model:

$$Y(t) = F(K(t), A(t)L(t)) = K(t)^{\alpha}(A(t)L(t))^{1-\alpha} \text{ where, } 0 < \alpha < 1 \quad (1)$$

In addition, the neoclassical theory advocates that macroeconomic variables such as governance

have the capacity to influence economic growth and output (Omodero, 2019). This model supersedes the approaches of previous studies that made use of models that did not consider the persistent role of governance and other critical macroeconomic variables on the performance of an economy. Neoclassical economists identified three methods to counter the international dependence model: the market-friendly method, the free-market technique and the new political method. Employing these approaches, they contended that lack of development in the emerging economies is a function of corrupt practices, followed by lack of fairness in resource allocations by the government and other inappropriate policies in the area of tax administration and others (Rangongo and Ngwakwe, 2019).

Globalization and Economic Growth Nexus

The rise in globalization trends in the world economy since the early 1980s has generated diverse arguments in the literature. Several scholars have examined the linkages between globalization and economic growth with conflicting outcomes. For instance, Dissa (2012) investigated the association between globalization and economic growth between 1990 and 2015. The study used the ordinary least square regression estimation technique as its analytical technique and observed that globalization proxied by FDI aided the reduction of income inequality and facilitated economic growth. Similarly, Titalessy (2018) examined globalization-economic growth relationship by employing a panel data analysis for ASEAN nation from 1970 to 2015. The outcome of the study aligned with the proposition that globalization has a significant and positive impact on economic growth. Kilic (2015) analyzed globalization-economic growth linkage by using a panel data obtained from 74 emerging economies from 1981 to 2011. The found that economic growth is positively influenced by economic globalization, and the causality tests indicated a uni-directional relationship between economic globalization and economic growth. Similarly, Gözgör and Can (2017) examined the relationship between economic globalization and economic growth in an unbalanced panel data framework, including 139 countries from 1970 to 2010. The final results indicate a bi-directional causal relationship between economic globalization and economic growth. Kilicarslan and Dumrul (2018) used the fully modified least square cointegration technique to examine the impact of globalization on economic growth in Turkey. The result shows that the KOF overall globalization index has a positive and significant impact on Turkey's economic growth. However, when the KOF de facto and KOF de jure are separated, the impact of globalization on economic growth became negative and statistically insignificant. Shittu *et al.* (2020) examine the nexus between globalization and economic growth in the West Africa sub-region using the autoregressive distributed lag approach, the result revealed that globalization has a positive and significant impact on the sub-region's economic growth.

Salifou and Haq (2017) assessed the relationships between tourism, globalization, and economic growth using a panel cointegration analysis for 11 selected West African states. Results from the econometric models, including FMOLS and DOLS, confirmed the positive impact of physical capital, tourism and the economic globalization index on economic growth. On the contrary, some empirical studies also found an adverse impact of globalization on economic growth. For instance, Ocampo and Stiglitz (2012) argued that globalization (if not well managed) does not support economic growth. Also, Polasek and Sellner (2011) tested the effect of globalization on economic growth for 27 European Union countries from 2001 to 2006 and concluded that globalization does have a positive impact on economic growth, mostly via FDI.

Governance and Economic Growth Nexus

In the literature, various kinds of indicators stand in as proxy variables for governance. However, recent studies have predominantly used the World Governance Indicators. These indicators observe the six different dimensions of governance such as voice and accountability, political stability and absence of violence/terrorism, regulatory quality, government effectiveness, control of corruption and the rule of law. This section discusses the impacts of some of the important governance factors on economic growth. Mehanna *et al.* (2010) study the relationship between governance and economic development in 23 MENA countries over the period 1996–2005. Their study compares different challenges facing the region, including education, fixed investment, presence of religious fractionalization, and governance. The study shows that improving governance is the main challenge facing the MENA countries. The study shows that voice and accountability, government effectiveness, and control of corruption exert the strongest economic impact on economic development. Additionally, Emara and Jhonsa (2014) shows that despite the low performance of most of MENA countries on almost all the six measures of World Bank Governance Indicators, their estimated levels per capita of income are relatively higher than the rest of the countries in the sample. This study concludes that most of these countries have achieved relatively high but fragile standard of living that is not based on sound governance.

For instance, Dkhili and Dhiab (2018) conducted a study on the relationship between economic freedom and FDI on economic growth in the countries of the Gulf Cooperation Council (GCC), from 1995 to 2017. Using the fully modified OLS (FMOLS) and dynamic OLS (DOLS) techniques to estimate the relationship, the authors found evidence in support of the assertion that greater levels of economic freedom support higher rates of growth. Moreover, Adams and Opoku (2015) observed the impact of regulatory regime on the FDI–growth nexus, using 22 SSA countries' data for the period of 1980–2011. Employing the GMM technique, the authors found that the interaction effect of regulations (business,

credit market and labor market regulations) and FDI on economic growth is positive and that quality and effective regulation enhance the growth effect of FDI. Linking FDI, governance and growth, Adeleke (2014) examined the impact of governance on the FDI-growth nexus, using data on 31 SSA countries between 1996 and 2010. Employing the traditional panel technique, the author found that FDI, governance index and indicators, as well as FDI-governance interaction positively influence economic growth.

Akpan and Effiong (2012) examined the relationship between governance and development performance covering 21 SSA countries for eight years between 1998 and 2007 using pooled OLS panel data analysis. Their findings showed that all the institutions of governance indicators have positive effect and are significantly associated with development outcomes. Trade openness, which was introduced as a control variable was positive and statistically significant. The authors attributed these results to the fact that good institutional quality plays an important role in the process of economic development and as such a mixture of these qualities are essential ingredients that should be emphasized and assigned top priority at all stages of the development process. Fayissa and Nsiah (2013) investigated the role of governance in explaining the sub-optimal economic growth performance of 39 SSA countries from 1995 to 2004. They employed the fixed and random effect models, and the Arellano-Bond models of panel data estimation approach. Their results suggested that all governance indicators have positive and statistically significant effects on per capita income growth of SSA countries, such that the magnitude and significance of this impact depends on the proxy of good governance indicator used.

Besides, the theoretical and empirical reviews, it is crystal clear that studies on the globalization and economic performance nexus conducted in Nigeria differ in findings and perspectives, and most studies ignored the mediating role of institutional quality (governance) in this relationship. To fill these gaps in the literature, this study incorporated critical governance and economic indicators drawn from the neo-classical growth theory. Against the theoretical and empirical backdrops, we propose the following hypotheses:

H_{01}: Economic globalization has no significant relationship with economic performance.

H_{02}: Governance has no significant effect on Nigeria's economic performance.

H_{03}: The interaction between economic globalization and governance has no significant effect on Nigeria's economic performance.

METHODOLOGY

Sample and Procedure

This study ascertains the relationship between economic globalization, economic performance and governance in Nigerian using annual time-series data from 1996 to 2021. The data employed for the empirical investigation were obtained from the published dataset statistics of the World Development Indicators of the World Bank and the KOF institute. The Description of Variables is shown in Table 1.

Variables		Indicators	Source
Economic Growth	GDP	GDP (constant 2015 US$)	World Development Indicators
Foreign Direct Investment	FDI	Foreign direct investment, net inflows (percent of GDP)	World Development Indicators
Inflation	INF	CPI percent GDP	World Development Indicators
Governance	GOV	Government Effectiveness	World Governance Indicators
Economic globalization	GLO	Economic Integration Index	KOF Institute

Source: Authors' presentation

Table 1. Description and Measurement of Variables

Data Analysis Technique

The empirical analysis in this study includes the preliminary analysis, estimation, and post estimation. The preliminary analysis includes descriptive statistics, unit-roots test, and co-integration test. Regarding the cointegration test (bounds co-integration test) and estimation, the study employed Autoregressive Distribution Lag (ADRL) to examine the short-run and long-run relationships. There is evidence of a long-run relationship if the computed f-statistics exceed the upper bound critical value. However, there is no co-integration if the f-statistic is below the lower bound, while the result is inconclusive for a value within lower and upper bounds. The post estimation tests, which include serial correlation test, heteroscedasticity test, normality test and structural stability CUSUM test, were conducted to examine the adequacy and reliability of the specified model Pesaran *et al.* (2001).

Model Specification

Following the unit root test results, the study employed the Autoregressive Distributed Lag (ARDL) approach. Thus, following the theoretical structure of the study, the functional form is given as:

$$GDP_t = f(GLO_t, GOV_t, GLO * GOV_t, FDI_t, INF_t) \qquad (2)$$

In growth literature, the effect of governance on growth is expressed in terms of the time lag it takes for

governance to affect growth through relevant channels.

Where *GDP* = economic performance, *GLO* = globalisation, *GOV* = governance, GLO*GOV = interaction of globalisation and country-level governance, *FDI* = foreign direct investment, *INF* = inflation rate.

Hence, the ARDL model specification for this study is expressed as follows:

$$GDP_t = \theta + \sum_{i=1}^{p} \alpha_i \, GDP_{t-i} + \sum_{i=0}^{q_1} \beta_{1i} \, GLO_{t-i} + \sum_{i=0}^{q_2} \beta_{2i} \, GOV_{t-i} + \sum_{i=0}^{q_3} \beta_{3i} \, (GLO * GOV)_{t-i} + \sum_{i=0}^{q_4} \beta_{4i} \, FDI_{t-i} + \sum_{i=0}^{q_5} \beta_{5i} \, INF_{t-i} + \varepsilon_t \qquad (3)$$

where p, q_1, q_2, q_3 and q_4, are the respective maximum lags of the dependent variable (*GDP*) and the explanatory variables (*GLO, GOV, GLO*GOV, FDI, INF*) while α_i, β_{1i}, β_{2i}, β_{3i}, β_{4i} and β_{5i} are the respective coefficients associated with the dependent variable (*GDP*) and the explanatory variables at the respective lags.

The ARDL Error Correction Model (ECM) specification is given as:

$$\Delta GDP_t = \theta + \sum_{i=1}^{p} \alpha_i \, \Delta GDP_{t-i} + \sum_{i=1}^{q_1} \beta_{1i} \, \Delta GLO_{t-i} + \sum_{i=1}^{q_2} \beta_{2i} \, \Delta GOV_{t-i} + \sum_{i=1}^{q_3} \beta_{3i} \, \Delta (GLO * GOV)_{t-i} + \sum_{i=1}^{q_4} \beta_{4i} \, \Delta FDI_{t-i} + \sum_{i=1}^{q_4} \beta_{5i} \, \Delta INF_{t-i} + \emptyset ECM_{t-i} + \epsilon_t \qquad (4)$$

In equation (4), the coefficient ($\emptyset$) of the ECM term called the speed of adjustment is expected to be negative in order to restore the model to equilibrium, *i.e.,* $\emptyset < 0$.

Given equation (5), the long-run form of the ARDL is specified as follows:

$$GDP_t = \lambda_0 + \lambda_1 GLO_t + \lambda_2 GOV_t + \lambda_3 (GLO * GOV)_t + \lambda_4 FDI_t + \lambda_5 INF_t \qquad (5)$$

where $\lambda_1 > 0, \lambda_2 > 0, \lambda_3 > 0, \lambda_4 > 0, \lambda_5 >< 0$

RESULTS

This section presents the results of the empirical analysis, which includes descriptive analysis, unit root test analysis, co-integration test, estimation, and post estimation tests.

Descriptive Statistics

This section provides the descriptive or summary statistics of the variables being examined in the study,

such as real GDP (*RGDP*), economic globalisation (*GLO*), governance (*GOV*), foreign direct investment (*FDI*) and inflation rate (*INF*).

	Variables				
Statistics	**GDP**	**GLO**	**GOV**	**FDI**	**INF**
Obs.	26	26	26	26	26
Mean	344.387	52.474	-1.040	1.396	12.537
Median	343.967	54.340	-1.020	1.452	12.156
Maximum	518.477	57.227	-0.910	2.900	29.268
Minimum	161.088	42.851	-1.200	0.184	5.388
Std. Dev.	131.347	4.322	0.086	0.755	4.968
Skewness	-0.0733	-0.8260	-0.4150	0.3351	1.3884
Kurtosis	1.4542	2.5169	2.1024	2.1072	6.0011
Jarque-Bera	2.6120	3.2091	1.6194	1.3503	18.1106
p-value	0.2709	0.2010	0.4450	0.5091	0.0001

Source: Authors' Computation using E-views

Table 2. Descriptive Statistics

Table 2 reports the descriptive statistics of the variables in the study. Apparently, all the variables under being examined have their standard deviations below their respective mean values. This suggests moderation variability in the variables over time, and thus, may have high predictive power. The series such as *FDI* and *INF* appear to be positively skewed (long right tail), having positive coefficients of skewness, while *GDP*, *GLO* and *GOV* exhibit a negatively skewed pattern of distribution, having a negative coefficient of skewness. Meanwhile, except the *INF* Series, all other series appear to have flat-topped distributions (platykurtic) having a coefficient of kurtosis less than the threshold level of 3 as moment distributions. Meanwhile, only *INF* appears to have peaked distribution (leptokurtic) relative to the normal distribution, having a coefficient of kurtosis above the threshold level of 3. The Jarque-Bera statistics for normality test indicate that series such as *GDP*, *GLO*, *GOV* and *FDI* are normally distributed having their respective p-values are greater than the 5 percent level of significance. However, only *INF* appears to deviate from normal distribution having a p-value (0.0168) below the 5 percent level of significance. Apparently, all the core variables meet that normal distribution property.

Pre-Estimation Tests

In this section, pre-tests such as unit root and co-integration tests are provided to evaluate the statistical property of the variables such stationarity and existence of a linear combination among the variables being examined in the study.

Unit Root Tests

The unit root tests were conducted prior to model estimation to determine the stationarity status of the variables in being investigated. Thus, the Augmented Dickey-Fuller (ADF) test was employed to evaluate the stationarity status of the series.

Table 3 (see Appendix-I) presents the result of the unit test using the ADF unit root test. Thus, series such as *GLO*, *GOV* and *INF* appear to be integrated of order zero, that is, they are *I(0)* series. However, series *GDP* and *FDI* series are integrated of order one, that is, they are *I(1)* processes. This suggests that the series had to be differenced once in order to become stationary. Thus, as proposed by Pesaran *et al*. (2001), the combinations of *I(0)* and *I(1)*) orders of integration of the variables validate the use of bounds co-integration test to examine the existence of a linear combination among the variables.

Bounds Co-integration Test

Having different orders of integration suggests the use of bounds co-integration test (the ARDL bounds test) to examine the existence of long-run equilibrium among the variables.

***f*–Statistic:**	12.7620	
Level of significance	**Lower bounds–*I(0)***	**Upper bounds–*I(1)***
1%	2.82	4.21
5%	2.14	3.34
10%	1.81	2.93

Source: Authors' Computation using E-views

Table 4. Bounds Co-integration Test (Sample Period: 1996-2021)

The Table 4 presents the results of the bounds co-integration test of the ARDL approach. Thus, since the *f*-statistic (12.7620) exceeds the critical value of the upper bounds at 1 percent, 5 percent and 10 percent levels of significance. This suggests that there is evidence of a long-run relationship or linear combination among the variables. In other words, real GDP (*RGDP*), economic globalisation (*GLO*), governance (*GOV*), foreign direct investment (*FDI*) and inflation rate (*INF*) appear to have a long-run relationship despite having different orders of integration among the variables. Thus, the model estimated is free from spurious relationship among the variables.

Model Estimation

Following the evidence of linear combination among the variables, the model estimation includes both long-run and short-run estimates. In addition, estimation involved the log transformation of all the variables. Thus, the estimates obtained are elastic.

Table 5 (see Appendix-II) presents the result of error correction model of the ARDL. The coefficient

(−0.1560) of the *ECT* term (error correction term or speed of adjustment coefficient) is negative and statistically significant (p = 0.0000) at 1 percent level of significance. Theoretically, the coefficient is expected to lie between −1 and 0 for convergence. Thus, this suggests that *GDP* adjusts to *GLO*, *GOV*, *GLO*GOV*, *FDI* and *INF* in the long run. In other words, the system corrects its disequilibrium in the previous period at a speed of 15.60 percent, thereby restoring to equilibrium in the current period. Therefore, equilibrium or long-run relationship has been restored among the variables. Evidently, all the considered policy variables have no individually significant effect on economic performance (*GDP*) in the short-run, in which economic agents were operating at optimal capacity. Meanwhile, the explanatory power (adjusted R-Squared) of the model is high (71.62 percent) and thus, suggests that *GLO*, *GOV*, *GLO*GOV*, *FDI* and *INF* are good predictors of economic performance (*GDP*) in the short-run.

Table 6 (see Appendix-III) presents the result of the estimated long-run form of the ARDL for the given sample period. The estimated long-run equation shows changes in globalisation index (*GLO*, p = 0.0000 < 0.01) and government effectiveness as a measure of governance (*GOV*, p −value = 0.0258 < 0.05) appear to have positive and statistically significant long-run effects on economic performance (*GDP*). These results imply that hypothesis one, which states that economic globalisation has no significant relationship with economic performance is rejected. Consequently, hypothesis two which states that governance has no significant relationship with economic performance is also rejected. Numerically, a 1 percent rise (fall) in each of the index of *GLO* and *GOV* yields, respectively, about 1.61 percent and 9.84 percent rise (fall) in *GDP*. Evidently, *GDP* appears to elastic regarding *GLO* and *GOV* having elasticity coefficients greater one. However, changes in foreign direct investment (*FDI*, p = 0.7234 > 0.1) and inflation rate (*INF*, p = 0.3104 > 0.1) exert a positive and statistically insignificant long-run effect on economic performance (*GDP*). Numerically, a one percent rise (fall) in *FDI* and *INF* will, on average, yield about 0.08 percent and 0.13 percent, respectively, rise (fall) in *RGDP* for the realisation. Apparently, *GDP* appears to be *FDI* and *INF* inelastic. Nevertheless, *GDP* responds insignificantly to *FDI* and *INF*.

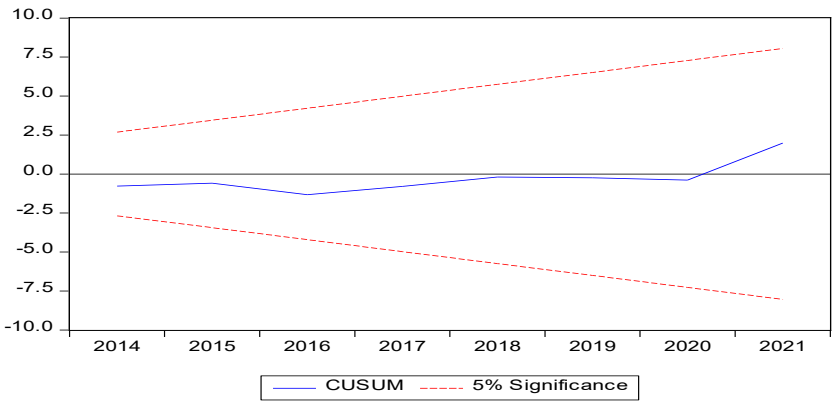
Meanwhile, the interaction (*GLO* GOV*) of globalisation (*GLO*) with governance (*GOV*, governance effectiveness as a measure) exerts positive and significant long-run impact (p = 0.0330 < 0.05) on *GDP* (economic performance). The foregoing suggests that *GOV* (government effectiveness) is a significant moderating factor between globalisation and economic performance. Therefore, we reject the hypothesis which states that the interaction between globalization and governance has no significant effect on Nigeria's economic performance. Numerically, interacting with country-level governance (*GOV*), a one-percent rise (fall) in *GLO* will, on average, yield about 2.33 percent rise (fall) in *GDP* (economic

performance). Apparently, *GDP* appears to be *GLO***GOV* elastic, having an elasticity coefficient more than one. Concisely, economic performance *GDP*) responds positively and consequentially to the interaction between globalisation and country-level governance (government effectiveness) in the long-run in Nigeria.

Model Adequacy Assessment (Residual Diagnostics)

The model adequacy assessment involves the post estimation tests which include: serial correlation test, Heteroscedasticity test, normality test, linearity or specification error test (Ramsey RESET test) and stability test (CUSUM test).

Table 7 (see Appendix-IV) presents the results of the serial correlation test (BP test), Heteroscedasticity test (ARCH LM test), normality test (Jarque-Bera Statistics) and linearity test (Ramsey RESET test). All the post estimation test results appear to be satisfactory (statistically insignificant), thereby fulfilling the assumptions required for the application OLS technique. The foregoing suggests that the estimates obtained are valid for making inferences. Meanwhile, the CUSUM test result is presented in Figure 1 below:



Source: Authors' presentation

Figure 1. Plot of Cumulative Sum (CUSUM) of Recursive Residuals Region

Figure 1 presents the result of the test of stability using CUSUM criterion. Since the plot remains within the critical bounds at 5 percent level of significance, thus, the model is structurally stable. In other words, the estimated GDP model parameters are stable and appropriate for long run decision making. Therefore, all the post estimation test results suggest that the short-run and long-run estimates from the estimated GDP model are valid and reliable for forecasting and policy making.

DISCUSSION

Stemming from the neoclassical growth model, Solow (1956) and Swan (1956) which posits that an economy can attain a long-term growth as exogenously provided outside the economic system through foreign capital flows, technological progress and labor force. The neoclassical model of economic growth includes the effects of governance, institutions and other variable on economic growth, which enables researchers to incorporate such variables in their model to analyze their effects on economic growth. This current study sought to examine the role of governance in the nexus between economic globalization and economic performance in Nigeria. The study further assessed the interaction effects of economic globalization and governance on Nigeria's economic performance.

Therefore, the estimated long-run result shows changes in economic globalisation and governance have a positive and statistically significant long-run effect on Nigeria's economic performance. Within the context of this result, we reject the stated hypotheses one and two, which indicated that economic globalisation has no significant impact on Nigeria's economic performance and governance has no significant effect on Nigeria's economic performance. By implication, the positive effects of economic globalization on economic performance includes increased trade and investment opportunities, trade expansion, the spread of new technologies and knowledge, access to new markets and customers, greater efficiency and productivity, healthy competition, and the potential for economic growth and development.

This current revelation aligns with previous literature on the contribution of globalisation to economic growth. For example, in the opinion of Dreher (2006) trade liberalization and export orientation can be a key driver of economic growth. Other studies that found similar results includes (Gözgör and Can, 2017; Kılıçarslan and Dumrul, 2018; Majidi, 2017; Meyer, 2020; Olimpia and Stela, 2017; Samimi and Jenatabadi, 2014). Meanwhile, the interaction of globalisation with governance exerted a positive and significant long-run impact on Nigeria's economic performance. The foregoing suggests that governance is a significant moderating factor between globalisation and economic performance. Furthermore, this result lays credence to the fact that the role of governance in the economic performance of nations is well entrenched in the economic growth models majorly attributed to Institutional Economists. It is argued that good governance attracts investors by creating an environment that is conducive and this boosts output growth. Further, good governance leads to efficiency and effective processes, promotes accountability and transparency, reduced red tape and bureaucracy, and overall promotes productivity. Based on the study findings, government effectiveness consequently leads to an increase in economic growth (Adeleke, 2014; Adeshina *et al.,* 2019; Akpan and Effiong, 2012; Elvis *et al.,* 2019; Dkhili and Dhiab, 2018 Emara and Jhonsa, 2014; Ozegbe and Yussuff, 2022).

CONCLUSION

The concept of economic globalization has emerged as a critical determinant of economic performance in the contemporary era. However, evidence from the literature also indicates that under certain circumstances, economic globalization could have an adverse impact on economies where political instability and weak institutions exist. The literature also reveals that the positive impact of economic globalization on economic growth can be attributed to several factors such as financial market integration, immigration of skilled human resources, trade openness with exports, trade tariffs and regulations, the creation environment for attraction of investment, and the spread of knowledge leading to improved allocation of resources and production factors. Contrastingly, one of the adverse consequences of economic globalization is the increase in dependence of emerging economies on the advanced economies. Therefore, this study was motivated by the quest to examine the relationship between economic globalization and economic performance and governance in Nigeria from 1996 to 2021. The estimated long-run result shows that changes in economic globalisation and governance have a positive and statistically significant long-run effect on Nigeria's economic performance. Consequently, the interaction between economic globalisation and governance exerted a positive and significant long-run impact on Nigeria's economic performance. The foregoing suggests that governance is a significant moderating factor between globalisation and economic performance.

IMPLICATIONS

In line with the neoclassical theory of economic growth espoused by Solow (1956) and Swan (1956) which posits that the long-term growth of an economy can be exogenously determined through foreign capital flows, technological progress and labor force. This current study revealed that economic globalization has a positive and significant impact on Nigeria's economic performance. The study also indicates that the interaction between economic globalization and governance exerted a positive and significant impact on the nation's economic performance, which is consistent with the postulation of the neoclassical economic growth theory.

The results reported in this current study prove that economic globalization provides an avenue for Nigeria to use her potential in a more efficient way, which could not have been possible without the aid of economic globalization. By implication, the Nigerian government should continue to promote policies that maximize the benefits of economic globalization in order to enhance sustainable economic growth. The domestic economy should also be strengthened through healthy market competition to keep pace with the activities of other cross-border markets.

LIMITATIONS AND FUTURE DIRECTIONS

This study was inspired by the quest to simultaneously examine the direct effect of economic globalization and governance and the interactive effects of economic globalization and governance on the performance of an emerging economy like Nigeria. The study was anchored on the neoclassical economic growth theory. However, it must be admitted that the study is not free from criticisms that could provide an ample opportunity for further research exploration. Part of the limitation of this study is that more predictive or independent variables could have been included, but it was not possible to include numerous variables in the model. The second limitation is that the outcome of the inquiry is based on a country-specific analysis that was centered on Nigeria. Therefore, the result may not be generalized, although the result may be consistent with that of other economies in Sub-Sahara Africa.

Future studies should introduce other important variables such as trade openness, macro-economic conditions and FDI to enhance the robustness of the theoretical and empirical model. Different regions and countries could also be included in future studies by comparing developed and developing countries and even sub-regions within a country.

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Appendix–I

Variable	Test form	ADF- Statistics			I(d)
		Constant	Constant & Trend	None	
RGDP	***Level***	-2.5712	-2.8749	-1.4617	***I(1)***
	Δ	-6.7080***	-6.6393***	-6.8690***	
GLO	***Level***	-3.2174**	-	2.6176	***I(0)***
	Δ	-	-	-	
GOV	***Level***	-3.6050**	-3.7311**	-0.0646	***I(0)***
	Δ	-	-	-	
FDI	***Level***	-1.8791	-2.4101	-1.8772	***I(1)***
	Δ	-6.6537***	-6.6556***	-6.8013***	
INF	***Level***	-4.6720***	-4.7478***	-0.7520	***I(0)***
	Δ	-	-	-	

Source: Authors' Computation using E-views
Note: ***p<.001; **p<.01

Table 3. ADF Unit Root Test (Sample Period: 1996-2021)

Appendix–II

Independent Variable	Coefficient	Std. Error	*t*-stat.	*p*-value
ΔGLO	-0.2124	0.9281	-0.2289	0.8247
ΔGLO_{t-1}	-0.4674	0.8741	-0.5347	0.6074
ΔGOV	-0.0095	3.1173	-0.0030	0.9976
ΔGOV_{t-1}	0.5495	2.8157	0.1951	0.8501
$\Delta(GLO*GOV)$	0.0025	0.7797	0.0032	0.9975
$\Delta(GLO*GOV)_{t-1}$	-0.1569	0.7048	-0.2226	0.8295
ΔFDI	-0.0012	0.0096	-0.1292	0.9004
ΔFDI_{t-1}	-0.0140	0.0095	-1.4675	0.1804
ΔINF	-0.0085	0.0114	-0.7429	0.4788
ΔINF_{t-1}	0.0058	0.0114	0.5063	0.6263
ECT_{t-1}	-0.1560***	0.0140	-11.1548	0.0000
R-squared	0.8396			
Adjusted R-Squared	0.7162			

Source: Authors' Computation using E-views

Table 5. Error Correction Model of the ARDL

Appendix–III

Independent Variable	Coefficient	S.E	*t*-stat.	*p*-value.
GLO	1.6145***	0.1870	8.6354	0.0000
GOV	9.8408**	3.6046	2.7301	0.0258
*GLO*GOV*	2.3330**	0.9069	2.5725	0.0330
FDI	0.0779	0.2124	0.3666	0.7234
INF	0.1303	0.1203	1.0830	0.3104

Source: Authors' Computation using E-views
Note: ***p<.001; **p<.01

Table 6. Estimation of ARDL Long-Run Coefficients (Sample Period: 1996-2021)

Appendix–IV

Serial correlation test:		***p*-value**
f-statistic	1.1703	0.3723
LM Statistic	4.7351	0.1345
Heteroscedasticity test:		***p*-value**
f-statistic	1.5417	0.2281
LM Statistic	1.5730	0.2098
Normality test:		***p*-value**
Jarque-Bera	0.6143	0.7355
Linearity test		***p*-value**
t-statistic	0.3739	0.7196
f-statistic	0.1398	0.7196

Source: Authors' computation using STATA

Table 7. Serial Correlation, Heteroscedasticity, Normality, and Linearity Test Results