

Trade Liberalization and Performance of Nigeria Economic Growth (1990-2022) an Empirical Study

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Abstract

The association between trade liberalization and economic growth in Nigeria was examined in this study from 1990 to 2022. The study used the Autoregressive Distributed Lag Bounds technique for cointegration. Yearly data were sourced from the World Bank Development Indicator (WDI). This research work considers Gross Domestic Product Per Capita (GDPPC) as the dependent variable, while inflation rate (INF), trade openness (TOPEN), Gross capital formation (GCF), and foreign direct investment (FDI) as the independent variable. Based on the ARDL approach, the test was carried out on each dependent variable and the independent variable to check the long and short-run regression findings for the coefficient of the lagged values of the dependent and independent variables. Some diagnostic test like the serial correlation test, and stability test were also carried out on the variables. From the results obtained Trade openness is positively statistically significant in the short run and the long run. However, the inflation rate is statistically but negatively significant to GDP in the short run and the long run. This means that when there is increased inflation, it reduces the GDPPC growth rate. Based on the findings, it was recommended that the government should set up policies that will encourage trade openness, and trade liberalization to other advanced and developed countries to also develop our own country.

Keywords: Trade Liberalization, Globalization, Economic Growth, Inflation, Foreign Direct Investment, Gross Capital Formation, Gross Domestic Products, ARDL

1. Introduction

Over the years, trade was considered as an essential and motor of economic growth for nations which are at different levels of growth [1]. Trade does transform growth from one economy to other economy and contribute to better resource allocations. For many years, there has been a tremendous economic growth in some countries and a fluctuating economy in others and as a result there exists less evidence of convergences [2]. International trade plays a crucial role in the sense that there exist both dynamic and static gains from trade though trade theories do not say anything about the fairness of those gains from trade. Trade liberalization is a key economic reform policy and institutional change adopted by Nigeria in 1986 to stimulate its exports. Trade openness also aims at the liberalization of the economy as well as the achievement of greater openness and greater integration of the world economy [3]. Liberalization can simply be said to mean a shift from direct policy and regulatory controls to market-driven behaviour to set prices and allocate resources. Trade liberalization deals with the increasing breakdown of barriers and the increasing integration

of the World market ECOWAS, (2014). Trade liberalization and flows within and outside an economy have been a subject of discussion and research among scholars and researchers alike for over seven decades. The idea that trade liberalization or trade openness is one of the most important determinants of economic growth is becoming increasingly popular among governments of less developed countries (LDCS) and Nigeria in particular. Conventional wisdom suggests that openness promotes economic growth.

Nigeria over the years has opened its borders for trading with high imports and exports of goods and services. For instance, non-oil imports trade grew from a mean value of N36.55 billion; representing 96.8 percent of aggregate import into Nigeria during the period 1970-1979, to N118.36 billion; representing 93.4 percent of aggregate import trade over the period 1980-1989, N3.48 trillion for the period 1990-1999; representing 79.9 percent of total import demand and N19.33 trillion; representing 82.0 percent of aggregate imports demand over the period 2000- 2008.

Presently, the value of Imports for goods and services in Nigeria stood at \$85,354,940,000 as of 2014. In similar vein, Nigeria's exports grew to about 9.9 percent year-on-year basis to N747, 760 million in last quarter of 2016. Considering the third quarter of the year, exports decreased by 1% from a year earlier to N2, 309 billion.

The country exported goods mainly to India, the USA, France and Spain. Exports in Nigeria averaged N370,305.54 million from 1981 until 2016, reaching an all-time high of N2,648,881.76 million in December of 2011 and a record low of N322.93 million in February of 1983. Nigeria exports mostly primary products (oil and natural gas) and its accounts for over 90 percent of export trade. In 2014, 43% of total sales went to Europe; 29% to Asia; 13% to America, and 12% to Africa [4]. Given these high levels of trade (imports and exports) by Nigeria over the years and the sluggish growth recorded in the five decades of her political history (growth rate in Nigeria averaged 4.3 percent from 1980 to 2015), it is necessary to examine the extent to which trade liberalization has affected the performance of the economy.

In recent years, the negative pressure which the volatile capital market of the advanced capitalist economies exerts on the developing countries has given rise to counter opinion which supports the negative aspects of openness and questions are being asked as to whether developing countries actually share in its benefits. In line with the spirit of openness for instance, the trade and exchange rate policies of Nigeria were conclusively reviewed at the close of 1986. Export duties were cancelled. Import licensing for many imports was abolished. All of these measures resulted in uninhibited access to imported goods to the Nigerian market without an obvious positive impact on domestic production in the manufacturing sector. Despite the efforts of successive governments in Nigeria in liberalizing trade and its flows in order to enhance the economy, there has been a persistent rise in the poverty level, business failures, and the economy plunging into recession in recent times. According to, In Nigeria, despite the implementation of trade liberalization measures and despite the persistent signs of economic recovery as seen from reduction in external debt and debt service payment, some macroeconomic pointers shows poor performances of the overall economy [5]. Trade liberalization has been a burning issue in Nigeria and ascertaining whether Nigeria's involvement in international trade boosts or hinders economic growth has been a persisting problem thus, warranting an empirical investigation into the study area to ascertain the impact of trade liberalization and trade flows in Nigeria.

1.1. Research Objectives

The overall objective of this study is to see the impact of trade liberalization on economic growth of Nigeria. Therefore, the precise objectives are:

- To examine the relationship between trade openness and economic growth.
- To evaluate the impact of foreign direct investment on

economic growth.

- To examine the relationship between the rate of inflation and economic growth.
- To determine the effect of gross capital formation on economic growth.

1.2. Research Hypothesis

H₀1: There is no significant relationship between trade openness and economic growth.

H₀2: There is no significant relationship between foreign direct investment and economic growth.

H₀3: There is no significant relationship between inflation rate and economic growth.

H₀4: There is no significant relationship between gross capital formation and economic growth.

1.3. Significance of Study

This research study is intended to build on the research done by other authors on the reason for trade liberalization and its effect on the growth of an economy. Policies that are needed to be in place for faster economic growth are also shown in the dissertation. At the level of individuals, this dissertation will give them an idea of how the government makes programs and policies, and the best way to react to the policies put forward by the government. For the government, this dissertation will make it easier for them to respond and be responsible to what the people need. For researchers on economic growth and trade liberalization, this research study will be seen as a challenge to them so that they can research more on the field of economic growth and trade liberalization.

The role of international trade in the developmental journey of an economy cannot be overemphasized especially with the current trend of globalization. Nigeria being part of the global village is not left out of this world development. The study would contribute to existing literature on Trade Liberalization especially its justification. The study would evaluate the importance of Trade Liberalization by examining its impact on the growth process of the economy.

The study is also significant in the following ways: It would help to take a stand on the controversial role of trade liberalization in the growth process of developing countries with a special focus on Nigeria. The research would help to identify the factors hindering cordial trade relations with other countries. It would also help to evaluate the performance of different trade policies Nigerian government has adopted. The research would also be an invaluable tool for students and researchers that want to know more about the effect of trade liberalization on the Nigerian economy. It is significant to the government in terms of formulating policies.

2. Literature Review

2.1. Importance of Trade Liberalization in Developing Country

According to countries trade with each other because trading typically makes a country better off. In international trade, competition occurs at the firm level while citizens of every

country can benefit from free trade [6]. Citizens enjoy a greater variety of goods and services generally at a lower cost. Imagine a country that decides to isolate itself economically from the rest of the world. In order to survive the citizens of this country would need to grow their own food, make their own clothes and build their own houses. However, if this country opens its border to trade, its citizens would specialize in the activities they do best. Specialization leads to higher productivity, higher income and better living standards. Can every country benefit from free trade? A fundamental principle of economic comparative advantage holds that when a country produces more of one product, it will create less of some other product. This trade-off occurs because resources are scarce and societies want to get the maximum benefit from them [7].

The benefits of comparative advantage are particularly important to developing nations. In Thomas Sowell's Basic Economics, he quotes an unattributed statement: "Comparative advantage means there is a place under the free trade sun for every nation no matter how poor because people of every nation can produce some products relatively more efficiently than they produce other products". The relationship between trade openness and economic growth has been thoroughly analyzed and the findings in most papers support the notion that greater openness to trade generates positive growth effects [8]. In a seminar paper Dr. Sebastian Edwards of UCLA find out countries that liberalize their international trade and become more open in the sense of lower tariff and nontariff barriers to trade will tend to grow faster especially in the developing world.

In a country-specific study for Turkey, (Shaffaedin, 2014) find that a positive correlation between trade liberalization and economic growth is plausible. Moreover, their most important finding is that a reduction in trade distortions is linked to growth thereby highlighting the importance of trade policy on the economic performance of that country.

2.2. Specific Factors and Income Distribution Model

This model was authored by Paul Samuelson and Ronald Jones. The model provided a broad explanation on factors responsible for trade. Three (3) factors were specifically identified by the authors. They are: a) Labour (L); b) Capital (K); and c) Territory (T) or Land. Countries that has abundant territory of land and labour would specialize on the production of commodities like cash crops and other types of food irrespective of the price. Also, a country with abundance of labour and capital will produce more manufactured commodities. Thus, labour exhibits mobility between both sectors; while territory or land and capital proved to be the specific factors. Holding other inputs constant, an increase in the unit of capital will lead to a rise in the marginal productivity from the manufactured sector. Alternatively, a rise in the supply of land will lead to a fall in manufacturing output but a rise in the production of food [9]. An integrated global economy is created when countries trade among themselves. For example, if two countries (A as a producer of manufactured goods and B as a producer of food) choose to trade, the aggregate food and manufactured goods consumed by

both countries is a summation of the food and manufactured goods produced by both countries.

Hence, the value of goods consumed by a country that does not engage in trade with other country (ies) equals its production. The benefits of exports for a country obviously outweighs imports [10].

2.3. Heckscher-Ohlin Model of Resources and Trade

A theory credited to Eli Heckscher and Bertil Ohlin, Heckscher-Ohlin model tried to provide an explanation to the rationale for trade between countries. The theory emphasized on relative abundance of resources among countries and account for the need for trade between countries. The preceding shows that comparative advantage follows through from a mix of a nation's abundant resources and technology adopted in harnessing the resources and also for production [9].

The model is built on the following presumptions:

- A nation produces only two commodities i.e. X (Food) and Y (Textiles);
- A nation requires only two inputs to produce its output i.e. Input A ('Land' also referred to as Territory) and Input B (Labour) Moreover.

The desired output requires more relative production input. For instant, the production of food will require more land than labour; hence, a territory-intensive production process [9]. Based on the above presumptions of this model, the authors explained that a country tend to focus on producing output that utilizes its abundant resources. Countries tend to exhibit efficiency when goods produced are made from resources with which they have in abundance [10]. Moreover, the Heckscher-Ohlin model also attributes specialization among nations to trade. A country will specialize on producing a commodity with which it has abundance resources to produce and import commodities it has limited resources to produce. For example, a country with abundance of land (i.e. territory) will specialize in the production of food since the production of food is territory intensive [9].

3. Empirical Review

Employing the Classical Linear Regression Model (CLRM) over the period of 1991 to 2013, Kalu, Nwude, and Nnenna (2016) investigated the impact of trade openness on economic growth in Nigeria. The results revealed that export and net export both had positive and significant relationships with economic growth. However, import had a positive and significant link with economic growth. In another related study, used the technique of panel data and pooled Ordinary Least Square (OLS) regression to examine the nexus between trade liberalization and economic growth for 71 countries panel globally for 1980-2010 [11]. The results showed that trade shares had a positive and significant link with economic growth. Additionally, examined the effect of trade liberalization on the economic growth of the five Southern African Customs Union (SACU) countries of Botswana, Namibia, South Africa, Swaziland and Lesotho through the ARDL Bounds testing method

to cointegration for the period of 1980 to 2011 [12]. The study utilized fixed-effects panel data estimations as well for testing the strength of empirical findings among the five countries.

The results revealed that in the case of Lesotho, Botswana, Swaziland and Namibia, liberalization of trade measured through trade ratios, tariffs, the real effective exchange rate and adjusted trade ratios exerted an insignificant impact on economic growth. However, in the situation of South Africa, trade liberalisation had an impact on economic growth. Similarly, and utilizing the ARDL methodology on time series data from 1971 to 2013, examined the effect of financial and trade liberalization on economic growth in Pakistan [13]. Based on the findings of the ARDL model, the long-run association was present in all models. The findings revealed that capital stock, financial liberalization index (banking and stock market) and labour force representing skills were positively linked to economic growth. The results further revealed that de facto financial openness index and trade openness had negative impacts on growth.

In another similar study, used the Autoregressive Distributed Lag (ARDL) method to cointegration and data from 1986 to 2015 to investigate the relationship between trade openness and economic growth in Ghana. Based on Composite Trade Index (CTI), a new trade openness measure developed by the author, openness to trade had a positive and significant impact on economic growth [14]. Furthermore, the results revealed that real effective exchange rate, labour force, foreign direct investment (FDI) and the capital stock had positive and significant effects on economic growth. However, inflation exerted a negative and significant impact on economic growth. The result of the Granger causality test between trade openness and economic growth showed a unidirectional causality from trade openness to economic growth.

Likewise, used the ARDL Bounds test to cointegration and the Granger causality test of Toda and Yamamoto to investigate the impact of trade openness on economic growth in Cote d'Ivoire for the period of 1965 to 2014 [15]. The results showed that trade openness exerted positive impacts on economic growth in both the short-run and the long-run. Besides, Mangir, Acet, and Baoua (2017) employed the Vector Error Correction Model (VECM) to investigate the link between trade openness and economic growth in Niger from 1970 to 2015. The findings revealed the existence of a bidirectional relationship between trade openness and economic growth in Niger in the short-run. In another related study, investigated the long run nexus between trade openness and economic growth in Ghana and Nigeria using the ARDL model from 1980 to 2016 [16]. The results revealed the presence of a long-run relationship among the variables for both nations. Furthermore, the findings showed that trade openness exerted a positive and significant effect on economic growth in Ghana. However, openness to trade had a negative and insignificant impact on economic growth in Nigeria.

On the same subject, investigated the nexus between of trade

openness and economic growth for 11 Southern African Development Cooperation (SADC) countries of Botswana, Madagascar, Mauritius, Namibia, Swaziland, Zambia, Lesotho, Malawi, Mozambique, South Africa and Tanzania over the period of 1990 to 2016 using the ARDL Bounds test method and Pooled Mean Group (PMG) model. The findings showed that trade openness exerted a negative impact on economic growth in the long-run [17].

Investigated empirically the association between trade openness and economic growth in Nigeria over the period of 1981 to 2017 using the OLS [18]. The results revealed that the degree of openness exerted a positive and significant impact on economic growth. However, the result of the Granger causality test revealed that there is a unidirectional causality running from real Gross Domestic Product (GDP) to degree of openness.

Used the VECM to investigate the impact of trade openness on Nigeria's economic growth for the period of 1970 to 2016 [19]. The result of the cointegration test showed the existence of a long-run relationship among the variables. The findings revealed that trade openness had a negative link with economic growth in Nigeria.

3.1. Model Specification

In order to achieve the objectives of this study (the effect of trade liberalization on economic growth in Nigeria), the GDPPC (GDP per capita) which serves as the dependent variable will be used to proxy Nigeria economic growth, while trade openness (TOPEN), foreign direct investment (FDI), gross capital formation (GCF) and Inflation rate (INF) which are the independent variables will be used as proxy for trade liberalization. Thus, we develop a compact form of our model as follows:

$$\Delta GDPPC_t = f(TOPEN_t, FDI_t, GCF_t, INF_t) \dots\dots\dots(i)$$

Econometric Specification

$$\Delta GDPPC_t = \alpha_0 + \alpha_1 GDPPC_{t-1} + \ln \alpha_2 TOPEN_t + \ln \alpha_3 FDI_t + \ln \alpha_4 GCF_t + \ln \alpha_5 INF_t + Ut \dots\dots\dots(ii)$$

Where: ln = Natural logarithm,
 GDP = growth rate of GDP per capita at time t,
 TOPEN = Trade Openness (measured as Export plus (Import divided GDP)) at time t,
 FDI= Foreign Direct Investment at time t
 GCF= Gross Capital Formation at time t
 INF= Inflation Rate (measured by consumer price index) at time t,
 U=stochastic term $\alpha_1, \alpha_2, \alpha_3, \alpha_4,$ and α_5 are elasticities of import, export, FDI, gross capital formation and exchange rate in Nigeria.

3.2. Estimation Techniques

The study utilized the Unit Root Test to check the stationarity or non-stationarity of the individual variable; after which the Auto Regressive Distributed Lag (ARDL) is the chosen estimation

technique due to the nature of the variables, due to the result gotten from the unit root test, whereby some variables were stationary at levels I (0), while some were stationary at first difference I (1). ARDL is a suitable estimation technique when variables are at order 0 and order 1 only. It is important to know that ARDL will not be suitable to use when variables are at order 2. ARDL approach is appropriate for generating short run and long run elasticities for a small sample size at the same time.

4. Discussion of Findings

This section includes descriptive statistics on real GDP (growth rate), net import, net export, foreign direct investment, gross capital formation and exchange rate. It's a numerical description of the characteristics of the various variables that will be used and analyzed in the following sections. The data summary is shown below.

	GDPPC	FDI	GCF	INFL	TOPEN
Mean	7.534608	1.602415	8.493491	18.03848	36.27848
Median	7.559937	1.450318	8.853325	12.80000	36.00000
Maximum	7.849285	5.790847	10.81623	72.80000	53.20000
Minimum	7.206882	0.195183	5.571262	5.300000	20.70000
Std. Dev.	0.244343	1.191920	1.465388	16.10620	8.646318
Skewness	-0.113830	1.885655	-0.338011	2.199459	0.145355
Kurtosis	1.323736	6.982532	2.317774	6.830704	2.328181
Jarque-Bera	3.934822	41.36459	1.268352	46.78406	0.736798
Probability	0.139818	0.000000	0.530372	0.000000	0.691841
Sum	248.6421	52.87970	280.2852	595.2700	1197.190
Sum Sq. Dev.	1.910519	45.46155	68.71562	8301.108	2392.282
Observations	33	33	33	33	33

Source: Researcher's computation using EViews 10

Table 1: Summary of the Descriptive Statistics

The mean, median, minimum and maximum values, kurtosis, skewness, and Jarque-Bera for both the dependent and independent variables are shown in Table 4.1. The mean is a single value that reflects the average value seen in the series. The foreign direct investment has a mean value of 1.602415, which is the lowest among the series, while the TOPEN has the highest mean value of 36.27. The median is a measure of central tendency that shows the value in the middle of the series that separates the higher and lower values. The minimum and maximum values are the highest and lowest values in each time series, and the mean values of all series are within the boundaries of their minimum and maximum values. The standard deviation is a measure of the series' dispersion from its mean values. A high standard deviation indicates that the values in the series tend to be near to the series mean, whereas a low number indicates that the values are spread out over a broad range from the mean.

A standard deviation number near to zero implies that the values are close to the mean, whereas a high or low value suggests that the values are above or below the mean. The standard deviation of foreign direct investment is 1.191, which is close to zero; this observation means that the values of foreign direct investment are close to their mean value, whereas the standard deviation of the TOPEN (Trade openness) is large, indicating that the values in both series have a wider range around their mean. Skewness measures the direction as well as the degree of asymmetry. A normal distribution is a symmetric distribution with a value of

zero, a negative value of skewness indicates that the distribution is skewed to the left i.e left-tailed in which case the mean is less than the median, while a positive value is a right-tailed distribution. The skewness values of GDPPC is negative which means it is distribution have a left-tail, and the rest of the series are exhibiting the features of a right-tailed distribution as they are all having positive values greater than zero.

The values of kurtosis measure the difference between the heaviness of the tails of a distribution and a normal distribution. Value near zero have a shape that is close to the normal distribution, negative values have a distribution which is considered more peaked than normal while positive values are flat than normal. The kurtosis values in the table above are all positive and far from zero which implies that they have distributions which are more peaked compared to a normal distribution. The Jarque-Bera test is a goodness-of-fit test that determines if the sample data series has kurtosis and skewness values consistent with a normal distribution. This test's results are always nonnegative, and the farther they are from zero, the less likely the sample data is to follow a normal distribution. None of the time series data had a normal distribution, as seen in the table above.

4.1. Unit Root Tests

Unit root tests are presented in this section, along with an interpretation of the findings. The time series data used in this study were tested for stationarity using the Augmented Dickey-

Fuller (ADF, Dickey and Fuller, 1981) unit root test. Assuming that the descriptive statistics have been completed, the next step is to determine if each variable has been integrated in order zero; I (0), or order one; I (1). I (0) implies that the variables are stationary at levels and do not require any differencing, whereas I (1) means that the variables are stationary at the first difference. For this

reason, the unit root test must be performed to ensure that none of the variables in the models are I (2), which would make them unsuitable for the ARDL models that will be utilized in this study's approach. ADF's unit root tests on GDPPC, FDI, gross capital formation (GCF), Inflation rate (INF), trade openness (TOPEN), are summarized in the table below.

Variables	Critical value @5%	T- Statistics	P-value	Decision
GDPPC	-2.960411	-2.833951	0.0652	I(1)
FDI	-2.960411	-3.003152	0.045	I(0)
TOPEN	-2.957110	-2.991894	0.0464	I(0)
INF	-2.963972	-4.294357	0.0021	I(1)
GCF	-2.960411	-3.662530	0.0100	I(1)

Source: Researcher's computation using EViews 10

Table 2: H₀: Series has a Unit Root (Non-Stationary (Unit Root Test))

The choice criterion was based on a critical level of 5%. In this case, we reject the null hypothesis of a unit root in favour of the one-sided alternative, and conclude that a stationary series has been established. The results of the tests for all variables and all the alternative models are presented in Tables 4.3 and at their levels, then for their initial differences. The variables (RGDPPC, INFL, and GCF) were integrated at the first difference I (1) while TOPEN and FDI was integrated at the level I (0). The results show that each of the series is non-stationary when the variables are defined in levels. The non-stationary components are removed in all cases by first differencing the series, and the null hypothesis of non-stationarity is clearly rejected at the 5% significance level, implying that all the variables are integrated of order one

I. (1). When the unit root test is at levels, we do not reject the null hypothesis (H₀).

When the unit root test is at the first difference, we reject the null hypothesis (H₀)

4.2. Regression Test Results (Auto Regressive Distributed Lag Estimation)

The findings of the linear models are presented in this section. It went over the projected values for both the long- and short-run coefficients. The coefficients computed for both long-run and short-run models are shown in the tables below.

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
LGDPPC(-1)	0.968893	0.043736	22.15333	0.0000
FDI	-0.000589	0.005473	-0.107670	0.9152
FDI(-1)	0.008722	0.006095	1.430912	0.1653
INFL	-0.000838	0.000516	-1.622987	0.0177
LGCF	0.009456	0.007906	1.196127	0.2433
TOPEN	0.000464	0.000799	0.580499	0.0170
TOPEN(-1)	0.001659	0.000758	2.187720	0.0387
C	0.091922	0.298463	0.307984	0.7608

a) Short Run Relationship

Variable	Coefficient	Std. Error	t-Statistic	Prob.
FDI	0.261439	0.396927	0.658658	0.5164
INFL	-0.026928	0.039638	-0.679359	0.0034
LGCF	0.303988	0.288334	1.054291	0.3022
TOPEN	0.068232	0.110261	0.618823	0.0419
C	2.955041	5.648224	0.523181	0.6056

Source: Researcher's computation using EViews 10

b) Longrun Relationship

Table 3: Coefficients of the ARDL Model

The above table 3 shows the long and short run regression findings for the coefficient of the lagged values of the dependent and independent variables for the linear ARDL model, which assumes a symmetric impact of the variables. Using the p-value to determine the significance of the coefficients, if the p-value is larger than or equal to 0.05, the coefficient is considered non-significant and has no influence on the dependent variables. In the short run, inflation and trade openness has statistical significance on GDP with their P-values of 0.0177, and 0.0170 respectively which is lower than the 0.05 level of significance. However, the coefficient of inflation is negative which means there is a negative relationship between inflation and GDPPC, while the coefficient of trade openness is positive which means there is positive relationship between trade openness and GDPPC.

The economic interpretation is that, in the short run, trade openness is statistically and positively significant to GDP which means that as long as there is free access to international trade, it will lead to increased economic growth rate. While, inflation is statistically but negatively significant to GDP which means as long as prices of goods and services are constantly rising, consumers may not be able to afford such goods, thereby, reducing demand and purchasing power, which can in turn slow down economic growth. In the long run, only inflation and trade openness has a statistical significance on economic growth with the p-values of 0.003 and 0.04 respectively which is below 5% level of significance. However, the coefficient of inflation is negative, while the coefficient of trade openness is positive which means that inflation has a negative relationship with GDPPC while trade openness has a positive relationship with GDPPC.

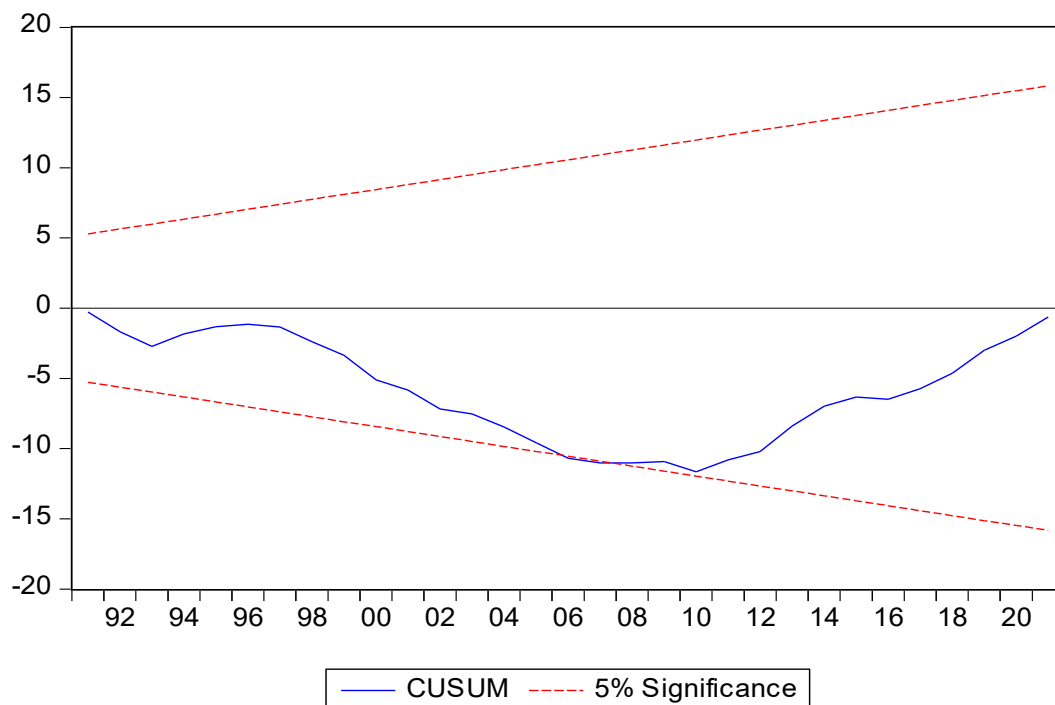


Figure 1: Stability Test Results

Source: Researcher's Computation using EViews 10

This test is conducted to check for misspecifications in the models, it also serves as a stability test. There is enough evidence to conclude that the models used in the study are free from misspecifications with the use of the p values of both the F statistics and t-statistics

5. Conclusion and Recommendation

This research examines the effect of trade liberalization on economic growth. Trade openness is positively statistically significant in the short run and in the long run. This means that as more and more exports of goods and services are being made, it keeps strengthening the Nigerian economy, its foreign reserve and individual standard of living. Other countries get aware of

what Nigeria n local industry are producing and this increases patronage globally and enhance healthy competition among with international industries, same as in the long run.

However, inflation rate is statistically but negatively significant to GDP in the short run and in the long run. This means that when there is increased inflation, it reduces GDPPC growth rate. This is not favourable to GDP growth rate (economic growth). This also means that during inflationary period, prices of goods and services are higher, and it is more expensive to incur debt. As a result of this, companies sells fewer products and the economy grows slowly. Consumer faces rising prices, escalating risks

of layoffs, and decreasing purchasing power [1]. The findings above have some implication for effect of trade liberalisation on the economic growth of Nigeria. Arising from this, the following recommendations is proposed for the economy:

- i. Greater attention should be placed on how to attract foreign investment into the country. When foreign investors are attracted into the country to invest on the economy, it will help providing employment opportunities, more money in circulation, and trade openness, which will in turn reduce the rate of poverty and improve citizens' standard of living.
- ii. The country should make sure that the inflation rate is monitored so as to reduce it pace in order to ensure economic growth.
- iii. Export should be increased while import of basically consumer goods should at its minimum. This can be done by increasing import tariffs and providing assistance that while encourage export activities.

Data Availability Statement

The datasets collected and or analysed during the current study are available from the corresponding author on request. The corresponding authors has full access to the data in the study and takes responsibility for the integrity of the data and the accuracy of the data analysed.

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