Effect of Institutional quality on Globalization in Nigeria

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Abstract

This study investigates the effects of institutional quality on globalization in Nigeria from 1985 to 2020. The Autoregressive Distributed Lag (ARDL) bound estimation technique confirmed the long run relationship between institutional quality and globalization in Nigeria. The findings show that institutional quality has an adverse and significant effect on globalization in the short run. This suggests that initial efforts to improve institutional quality, such as anti-corruption drives, stricter financial regulations, or enhanced governance checks, act as a disruptive force to the established patterns of globalization. Also, the long-run estimates indicate a negative impact of institutional quality on globalization in Nigeria, although statistically insignificant at the 5% level. It implies that the structure of Nigeria's economy has not fundamentally shifted as the country remains heavily dependent on global oil markets, and its manufacturing and non-oil export sectors are weak. The government should adopt a strategic and sequential institutional reforms that rebrand Nigeria in the global arena and also facilitate legitimate economic activity. This should include streamlining customs and port administration to reduce bottlenecks in trade, strengthening the financial sector regulators to build investor confidence, and enhancing the capacity of the judiciary to efficiently enforce contracts and resolve commercial disputes.

Keywords: Institutional quality, KOF globalization index, Nigeria.

1. Introduction

The phenomenon of globalization has exerted a profound and transformative influence on Nigeria, presenting a distinct dualism of potential benefits and formidable obstacles. As with many developing nations, Nigeria's integration into the global economy has unlocked avenues for enhanced trade, technological transfer, and cultural interchange, offering a pathway to modernization and economic development (Maku *et al*., 2021). This integration has facilitated inflows of foreign capital, spurred growth in non-oil sectors, and connected Nigerian society to global trends and innovations. However, this very process has also posed significant internal challenges, including acute difficulties in effectively regulating volatile international markets, guaranteeing equitable competition for domestic industries, and enforcing robust labour and environmental standards in the face of powerful transnational corporate interests. The swift movement of capital, goods, and services across borders has often outpaced the capacity of local frameworks, creating a dynamic where the theoretical benefits of globalization are constantly negotiated against very real socioeconomic risks.

The distribution of globalization's outcomes, however, is not an automatic or inevitable process but is significantly mediated by the quality of a nation's domestic institutions and governance (Ifeakachukwu, 2020). Resilient, transparent, and efficacious institutions are the critical linchpin for harnessing the advantages of global integration while systematically mitigating its adverse effects, such as corruption, rent-seeking, and the exploitation of national resources. They provide the necessary regulatory oversight, legal certainty, and social safeguards that ensure growth is inclusive and sustainable. Conversely, in the Nigerian context, a legacy of inadequate governance and institutional weakness has proven to be a critical impediment. This institutional failure has created a permissive environment where corruption can flourish, resulting in the massive diversion of public resources away from essential goods and services like healthcare, education, and infrastructure, investments that are fundamental to broad-based societal development and poverty reduction.

Consequently, this institutional deficit has ensured that the benefits of globalization have not been fairly apportioned across Nigerian society, leading instead to dangerously widened economic disparities and heightened social turmoil (Olagunju *et al*., 2019). The economic growth attracted by globalization has often been concentrated in the hands of a small elite, exacerbating the gap between the affluent and the impoverished and limiting access to crucial services for the majority. Furthermore, the impact extends beyond the purely economic sphere, deeply affecting the country's socio-cultural fabric. The influence of Westernization and global media, while fostering new aspirations, has also heightened social disparities and placed pressure on indigenous cultural norms and values. Within this complex landscape, specific marginalized groups, including women, rural populations, and certain ethnic communities, face heightened challenges in accessing the opportunities and resources afforded by global connectivity (Eneji and Nwagbara, 2019). This internal inequity is further compounded by the phenomenon of "brain drain," where highly skilled professionals such as doctors, engineers, and academics leave Nigeria in pursuit of better prospects abroad, thereby depleting the nation's human capital base (Nwokoye, Ezeaku, & Uwajumogu, 2019).

Compounding these domestic institutional challenges is the influential and often contentious role played by international institutions that have been pivotal in fostering the advancement of globalization itself. Entities such as the International Monetary Fund (IMF), the World Bank, and the World Trade Organization establish the rules and provide the financial architecture that governs global economic interactions. While these institutions can provide essential funding and policy guidance, their structures, often reflecting the economic power and interests of their most influential member states, have drawn widespread criticism. Detractors argue that the policy conditionalities attached to their support, such as austerity measures and trade liberalization, can at times exacerbate rather than alleviate global and national inequalities, potentially undermining national sovereignty and prioritizing macroeconomic stability over equitable development. Therefore, this study investigates the effects of institutional quality on globalization in Nigeria between 1985 and 2020.

2. Literature Review

Over the years, *globalization* has assumed various interpretations and labels, reflecting its dynamic nature and the myriad perspectives it engenders. At its core, globalization signifies the process through which individuals, businesses, and governments establish connections and merge on a global scale, Hanafi (2020). This phenomenon has led to a notable surge in international trade and the free flow of ideas, values, and cultural elements. Globalization manifests primarily as an economic nexus that has profound social and cultural implications. It profoundly impacts the economy by facilitating the exchange of goods, services, data, technology, and vital economic assets like capital, Kalu & Ogbonnaya (2019). The proliferation of globalization prompts market expansion, fostering the liberalization of economic activities such as the seamless exchange of goods, services, financial resources, and more. Moreover, it entails the dismantling of cross-border trade barriers, thus enabling the establishment of global markets. Advancements in transportation and telecommunication infrastructure, including technologies like the telegraph, Internet, and mobile phones, have played pivotal roles in accelerating globalization and enhancing the interdependence of economic and cultural endeavours worldwide (Gorynia *et al*., 2022; Moussaoui, Bhavsar, and Bhugra, 2021).

According to the Committee for Development Policy, globalization can be defined as the "heightening interdependence of world economies resulting from the expanding scale of cross-border trade in goods and services, the flow of international capital, and the rapid and extensive dissemination of technologies." This definition underscores the ongoing enlargement and mutual integration of global markets, as well as the growing significance of information in various productive endeavours (Alami *et al*., 2020). *Institutions* can be defined as multifaceted and enduring social structures composed of symbolic elements, social practices, and material resources. They represent the humanly devised rules within a society that govern and shape human interactions, essentially, they are the "rules of the game". Across various definitions, a common thread is the notion of persistence and continuity. Institutions encompass a wide spectrum, ranging from formal to informal (Rittberger et al., 2019).

Formal institutions encompass written laws, regulations, legal agreements, contracts, and constitutions, which are upheld and enforced

by third-party authorities. In contrast, informal institutions are often unwritten norms, procedures, conventions, and traditions deeply embedded in a culture. Informal institutions can either complement, compete with, or overlap with formal ones. Their implicit nature becomes apparent when examining the incentives and norms guiding individuals' behaviour. The strength, inclusiveness, or discriminatory nature of institutions depends on the specific context in which they operate (Hooghe, Lenz, & Marks, 2019).

Any analysis of institutions is rooted in fundamental properties that underpin their quality and effectiveness. The first criterion for evaluating institutional quality is universality, which signifies the presence of general, open, and abstract social rules applicable to an unknown and diverse range of situations, Todaro & Smith (2020). A classic example of a universal rule is the principle that "no one is above the law." Unfortunately, numerous instances exist where this principle is violated, such as the preferential granting of benefits and subsidies to specific sectors or industries, the hasty enactment of emergency laws, and frequent changes in taxation. The second criterion emerges from a critical role of institutions: the reduction of transaction costs and uncertainty in human interactions. Institutions should exhibit characteristics such as credibility, stability, transparency, and ease of comprehension to provide a high degree of security and stability in economic and social relationships. Another criterion for assessing institutional quality is adaptability, denoting an institution's ability to anticipate changes and offering socio-economic incentives to facilitate adaptation to evolving socio-economic conditions.

Sehrawat and Giri (2019) utilized time series data spanning from 1982 to 2016 to investigate the impact of globalization and institutional quality on the economic performance of the Indian economy. The researchers employed the Saikkonen and Lütkepohl unit root test to examine the stationarity qualities of the variables. Additionally, the Bayer-Hanck co-integration test was utilized to assess the long- and short-run relationships among the variables. The empirical evidence suggests the presence of a co-integrating connection between the variables, and the autoregressive distributed lag (ARDL) estimates demonstrate that both globalization and institutional quality play significant roles in influencing India's economic success. Nevertheless,

the impact of institutional integrity on short-term economic growth is negligible. The research revealed that the quality of institutions and the index of globalization play a pivotal role in fostering economic growth.

Hou, Wang, & Xue (2020) conducted a study to examine the influence of institutional quality on trade costs across 133 countries from 1995 to 2014. The findings of the study indicate that there is a substantial negative relationship between institutional quality and the three categories of trade costs, namely overall trade costs, trade costs of agricultural goods, and trade costs of manufactured goods. Moreover, the impact of institutional quality exhibited statistical significance in the reduction of trade costs across various trading country pairs, distinct sub periods, components of institutional quality, and the endogeneity concern.

Kawabata & Junior (2020) investigated the link between a nation's institutional quality and its levels of innovation activities and outcomes in 127 countries. After accounting for the influence of research and development (R&D) efforts and foreign direct investments (FDI), the study conducted regression analysis in order to determine the relationship between the quality of a country's institutions and its innovative activities. The findings indicate that the efficacy of public administration and the quality of regulation are institutional factors that are linked to innovative activities. Chen, Jiang, & Wang (2019) examined the influence of institutional quality on the facilitation of foreign direct investment. To address the issues of heteroscedasticity and endogeneity, robust standard errors and the dynamic Generalized Method of Moments (GMM) approach have been employed in the empirical models. The findings of the study demonstrate that there is a strong and positive relationship between the quality of institutions and the level of facilitation of foreign direct investment.

Khan, Khan & Zuojun (2020) investigated the relationship between institutional quality and financial development in 189 developing and developed countries. Using the Generalised Method of Moments (GMM), their findings suggest that strong institutions play a crucial role in fostering financial development. More specifically, the study demonstrated that factors such as political stability, control of corruption, and regulatory quality have a beneficial impact on financial

development in the worldwide panel of analysis. The impact of the rule of law on financial development is predominantly negative, indicating a widespread weakness in the rule of law across numerous countries worldwide. The favourable impact of the control of corruption index on financial development in developing and global panels is evident, suggesting that a significant number of nations have successfully reduced corruption to a low level. The research additionally revealed that developing nations have made strides in decreasing corruption; nevertheless, it determined that other indicators pertaining to institutions were not found to be statistically significant.

Yushi & Miao (2019) conducted a comprehensive analysis of the effects of institutional quality, border and transit efficiency, as well as physical and communication infrastructure on both overall and intra-Africa trade. This analysis encompassed a total of 44 African nations and their 173 trade partners, spanning the time period from 2000 to 2014. Principal component analysis was utilized to create aggregate indicators for the assessment of economic institutions, border and transit efficiency, as well as physical and communication infrastructure. The results revealed that the strength of intra-Africa and overall Africa's trade is significantly influenced by factors such as the quality of institutions, efficiency of borders and transportation, and the state of physical and communication infrastructure. The estimations also suggest that the impact of the quality of institutions, physical infrastructure, and communication infrastructure on trade flow tends to be greater as GDP per capita increases. On the other hand, there is a decline in the marginal effect of border and transport efficiency on commerce when GDP per capita increases.

The existing literature on institutional quality and globalization reveals several gaps that merit further research and exploration. Firstly, there is a gap in understanding the precise mechanisms through which institutional quality affects globalization. While it is acknowledged that strong institutions can mitigate adverse effects of globalization, the specific channels and dynamics involved require more in-depth analysis. Research should delve into whether certain institutional features, such as property rights protection or the rule of law, have varying impacts on income distribution in the face of globalization. Secondly, literature often explores globalization as a singular

phenomenon, overlooking its multidimensional nature. This research discerns between different aspects of globalization, such as trade liberalization, financial integration, and technology transfer.

3. Data and Methodology

The scope of the study spans the years from 1985 to 2020. The necessary data was obtained from a database maintained by the World Bank called World Development Indicators and International Country Risk Guide (ICRG).

3.1 Model specification

Based on the conceptual framework presented in the last section and drawing from previous research models, we have formulated an adapted model that delineates the connections between institutional quality and globalization while accounting for pertinent control variables, such as income per capita, investment, financial sector development, interest rates, and inflation. This model is expressed in functional form as follows:

$$glob_t = f(insq_t, gdppc_t, inv_t, fsd_t, \text{int}_t, \text{inf}_t) \quad (1)$$

In mathematical form, it becomes:

$$glob_t = \beta_0 + \beta_1 insq_t + \beta_2 gdppc_t + \beta_3 inv_t + \beta_4 fsd_t + \beta_5 \text{int}_t + \beta_6 \text{inf}_t + e_t \quad (2)$$

Where: *glob* represents globalization indices; *insq* denotes institutional quality; *gdppc* denotes gross domestic product (GDP) per capita growth measuring income per capita; *inv* represents capital investment measured by gross fixed capital formation to GDP; *fsd* is financial sector development proxy by domestic credit to private sector by banks to GDP; *int* denotes interest rate; *inf* is inflation rate; β_0, β_{1-6} are parameters; *t* denotes time; and *e* is error term. The summary statistics of the variables are presented in Table 1. In Table 1, the average of institutional quality stood at 2.990 indicating the low level of institutions in terms of government stability, control of corruption, law and order and bureaucracy quality. The average of Kof globalization proxy stood at 49.19%, while the table presents the maximum and minimum value to 57.2% and 37.62% respectively. In addition, the

average values of gross fixed capital formation, gross domestic product per capita, financial sector development measured by domestic credit to private sector by banks, inflation and interest rate are 30.61%, 9.7%, 19.51% and 2.54% respectively. Also, their maximum values are 54.95%, 12.46%, 19.62%, 72.84% and 18.18% whereas the minimum values are at 14.17%, -4.46%, 4.95%, 5.39% and -31.45 correspondingly.

Table 1: Descriptive statistics

	INST	KOFGI	GFCF	GDPPC	FSD	INF	INT
Mean	2.9902	49.190	30.609	1.5486	9.7301	19.514	2.5471
Median	2.9583	49.546	26.769	1.6346	8.4351	12.555	5.3713
Maximum	3.9375	57.227	54.948	12.458	19.626	72.836	18.180
Minimum	1.9375	37.623	14.169	-4.4571	4.9575	5.3880	-31.453
Std. Dev.	0.4171	6.4717	13.076	3.8450	3.5672	17.826	10.097
Skewness	-0.1427	-0.3955	0.3215	0.4967	0.9894	1.7030	-1.1922
Kurtosis	3.6826	1.8056	1.8162	3.3387	3.6404	4.5474	5.0731
Jarque-Bera	0.7983	2.9929	2.6464	1.6065	6.3087	20.410	14.559
Observations	35	35	35	35	35	35	35

Source: Authors' computation (2023).

The trend analysis of variables used to analysis the interrelationship between institutional quality and globalization in Nigeria are presented in Figure 1. Figure 1 shows the trend series of institutional quality and globalization in Nigeria. Also, the correlation analyses of the variables are presented in Table 2. The coefficients show that the level of association between the variables used to explain the existing relationship between institutional quality and globalization in Nigeria. In Table 2, the results show that KOF globalization index is positively correlated with institutional quality while gross fixed capita formation, GDP per capita, financial sector development, and inflation are negatively correlated with institutional quality. Meanwhile, the correlation coefficients of these controlling variables are equally reported. Some of the correlation coefficients are weak, which indicates the absence of multicollinearity problem. Consequently, these results are just preliminary analysis subject to confirmation using the appropriate estimation method to reveal the parameter signs and magnitudes of the variables.

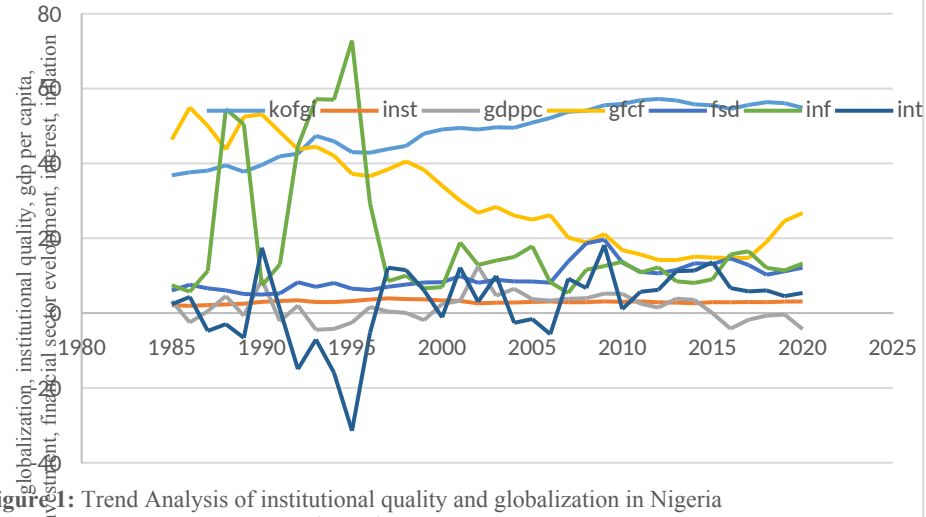

Figure 1: Trend Analysis of institutional quality and globalization in Nigeria
Source: Author's computation (2023)

Table 2: Correlation matrix

	inst	*kofgi*	*gfcf*	*gdppc*	*fsd*	*inf*
inst	1					
kofgi	0.1156	1				
gfcf	-0.0605	-0.9517	1			
gdppc	-0.1263	0.0868	-0.1917	1		
fsd	-0.0323	0.7743	-0.7667	0.0873	1	
inf	-0.0546	-0.4261	0.3997	-0.3118	-0.3701	1

Source: Authors' computation (2023).

3.2 Estimation methods

The study test for the stationarity level of the variables using both Augmented Dickey Fuller (ADF) and Phillip-Perron (PP) methods. The

results are presented in Table 3. From the test result reported in Table 3, GDP per capita, inflation and interest rate were found not to accept the null hypothesis "they have unit root test" at 5% level. This implies that the series (i.e. GDP per capita, inflation and interest rate) are stationary at levels. However, the series of institutional quality, kof globalization index, gross fixed capital formation and financial sector development are not stationary at levels but they are integrated of order one i.e. I(1). Therefore, they were found not to reject the null hypothesis "no stationary" at level but after several iterations based on the number of lag length and differencing, the series were found to reject the null hypothesis at first difference.

Table 3: ADF and PP Test Results [Trend and Intercept]

Series	Augmented Dickey Fuller Test		Phillip-Perron Test		I(d)
	Stat at level	**Stat at first diff.**	**Stat at level**	**Stat at first diff.**	
kofgi	-2.0173(8)[-2.981]	-6.3270***(4)[-3.580]	-1.8712(5)[-2.951]	-4.9293***(3)[-3.646]	I(1)
inst	-2.8708(0) [-2.951]	-4.6677***(0)[-3.646]	-2.880(4)[-2.951]	-4.5722***(7)[-3.646]	I(1)
gfcf	-1.9662(0)[-2.951]	-4.9298***(0)[-3.646]	-1.9886(3)[-3.639]	-4.8884***(2)[-2.954]	I(1)
g*dppc*	-3.706***(0)[-3.694]	-	-3.592***(1)[-3.592]	-	I(0)
fsd	-2.329(1)[-2.954]	-5.378***(2)[-3.661]	-1.5406(1)[-2.951]	-4.2689***(3)[-3.646]	I(1)
inf	-4.539***(7)[-3.699]	-	-2.8521*(2)[-2.951]	-	I(0)
int	-3.535***(0)[-2.951]	-	-3.557***(2)[-2.951]	-	I(0)

Note: ***, ** and * signify significance level at 1%, 5% and 10% respectively.
Sources: Authors' computation (2023).

Afterwards, the long-run relationship between institutional quality, globalization and other controlling variables are tested using the autoregressive distributed lag (ARDL) bound cointegration tests because the variables are of order zero and one. The F-statistics estimate for testing the existence of long-run relationship between institutional quality, globalization and other controlling variables in Nigeria is presented in Table 4. The table showed that the estimated F-statistics of

the normalized equation (F_{arb} = 5.6282) is greater than the lower and upper critical bound at 1% significance level. This implies that the null hypothesis of no long-run relationship is rejected at 1% significance level. The implication of the above estimation is that institutional quality, control variables (such as gdp per capita, gross fixed capita formation, financial sector development, interest rate, inflation) and kof globalization index, all have equilibrium condition that keep them together in the long-run. Thus, there exists a long-run relationship between institutional quality and globalization in Nigeria.

Table 4: Existence of long-run cointegration between institutional quality and globalization (1, 2, 2, 0, 1, 1, 1)

Test Statistic	**Value**	**K**
F-statistics (kofgi, inst, gdppc, gfcf, fsd, int, inf)	5.6282	6
Critical Value Bounds		
Significance	**I(0) Bound**	**I(1) Bound**
10%	1.99	2.94
5%	2.27	3.28
2.5%	2.55	3.61
1%	2.88	3.99

Source: Author's computation (2023).

4. Results and Discussion of Findings

In this sub-section, this study provides answers to the null hypothesis that institutional quality has no significant effect on globalization in Nigeria. This examines both the short-run and long-run estimates of institutional quality and other controlling variables in Nigeria using the estimated ARDL approach described extensively in the previous chapter. The estimated ARDL model is a composite of short-run and long-run estimates of the interrelationship among considered series in this study. The clear evidence of the empirical estimates from institutional quality, control variables (such as gdp per capita, gross fixed capita formation, financial sector development, interest rate, inflation) and kof globalization index are presented in Table 5.

The short-run estimation results show the error correction mechanism which measures the speed or degree of adjustment. It is the rate of adjustment at which the dependent variable changes due to changes in the independent variables. The short run analysis shows the dynamic pattern in the model and to ensure that dynamics of the model have not been constrained by inappropriate lag length specification. The ARDL test automatically chooses the lag length on all variables as the model was set at four to ensure sufficient degree of freedom based on automatic selection of Akaike Information Criterion. The short-run estimates of the relationship between institutional quality and globalization are presented in Table 5. The coefficient of the ECT is found to be negative and statistically significant at the conventional level. The ECT value (-0.3494) implied that the model corrects its short-run disequilibrium by 34.94% speed of adjustment in order to return to the long run equilibrium.

Table 5: Results of Estimated ARDL Model of Globalization

Dependent Variable: KOFGI
Selected Model: ARDL(1, 2, 2, 0, 1, 1, 1)
Sample: 1985 2020 **Included observations:** 33

Short-Run Estimates				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
D(INST)	-3.470497	0.679135	-5.110173	0.0001
D(INST(-1))	-1.081189	0.703926	-1.535942	0.1419
D(GDPPC)	-0.244564	0.049586	-4.932083	0.0001
D(GDPPC(-1))	-0.13201	0.048567	-2.718069	0.0141
D(FSD)	-0.155249	0.079543	-1.951755	0.0667
D(INT)	-0.004362	0.021538	-0.202521	0.8418
D(INF)	-0.083887	0.017656	-4.751166	0.0002
ECT(-1)	-0.349416	0.044185	-7.90794	0.0000
Long-run Estimates				
INST	-2.728306	2.160398	-1.262872	0.2228
GDPPC	-0.299921	0.223425	-1.342376	0.1962
GFCF	0.080333	0.185543	0.43296	0.6702
FSD	1.013072	0.385782	2.626024	0.0171
INT	-0.48855	0.218365	-2.237304	0.0382
INF	-0.450424	0.168776	-2.66876	0.0157
C	58.06915	7.606031	7.634619	0.0000

R-squared	0.756582	**F-stat**	5.6282 (0.000)
Adj. R-squared	0.688425	**D-Watson**	1.779298

Source: Authors' computation (2023).

As for the short run, the negative coefficient of the current and first lag of institutional quality shows that it has negative and significant impact on globalization at 5%. Likewise, the coefficients of the short run of gross domestic product per capita at current and lag one are negative and significant statistically. It means that the level of income per capita in short run has an adverse and significant impact on globalization at 5%. As for financial sector development and interest rate both at their current level show a negative impact on globalization, which implies that they have adverse impact on globalization in Nigeria in the short run but are both not statistically significant at 5%. Lastly, for inflation at the current level show a negative impact on globalization, which implies that consumer price index has an adverse impact on globalization in Nigeria in the short run and it is statistically significant at 5%.

The long-run estimates in Table 5 indicated that institutional quality has negative impact on globalization in Nigeria. However, the probability value was found to be insignificant at the 5% conventional level. Likewise, the control variables i.e. interest rate and inflation are statistically significant at 5% conventional level and have negative impact on globalization. The two indicators conform to the theoretical expectation and also statistically proven. Thus, a 1% increase in interest rate and inflation will adversely affect globalization by -0.488% and -0.450% respectively in the long run. Meanwhile, gross fixed capital formation and financial sector development have positive impact on globalization in the long run. Thus, a 1% increase in gross fixed capital formation and financial sector development will improve globalization by 0.080% and 1.013% respectively in the long run.

The coefficient of determination (Adjusted-R^2) is high (68.84%) indicating that about 68.84% of the total variations in globalization was explained by the variables in the model. It simply indicated that the variation of changes in globalization was explained by 68.84% variations in institutional quality and other controlling variables. The overall test using the F-statistic (5.6282) is statistically significant at

5% level of significance showing that model is well specified and statistically significant. The Durbin Watson statistic (1.7793) shows that there is absence of serial autocorrelation in the model.

Diagnostic Test

The estimated ARDL model is tested for heteroscedasticity, serial correlation, functional form misspecification, parameter stability and normality. The results from these tests are shown in Table 6. The estimated ARDL model revealed that the model passed the serial correlation, normality test, and heteroskedasticity test. It means that the error terms are normally distributed with same variables, and they are not serially correlated. Also, the Ramsey RESET test was satisfactory for the ARDL model indicating that the model is well distributed. As well, the cumulative sum (CUSUM) and cumulative sum of squares (CUSUMSQ) respectively presented in Figures 2a and 2b are stable.

Table 6: Diagnostic Tests of Selected ARDL Model

Results	
Serial Correlation:1.1155 [0.8917]	**Normality Test:**3.9007 [0.0039]
Functional Form:0.1118 [0.9132]	**Heteroskedasticity Test:**0.1819 [0.9131]

Source: Authors' computation (2023).

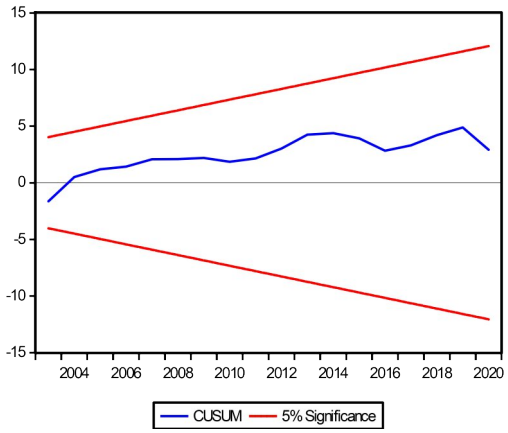

Figure 2a: Cumulative Sum

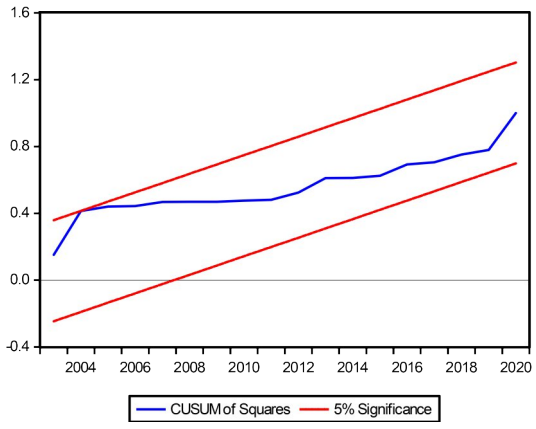

Figure 2b: Cumulative Sum of Square

Source: Authors computation (2023).

5. Conclusion

This study examines the relationship between institutional quality and globalization in Nigeria using annual data from 1985 to 2020. The estimator employed was the ARDL estimation technique. When considering the interactive effect of institutions and globalization, the results reveal a fascinating dynamic. The negative and statistically significant relationship at a 5% conventional level suggests that strong and high-quality institutions can play a role in globalization. This finding highlights the potential of well-functioning institutions to counteract the negative effects of globalization.

The following recommendations arising from the empirical results of this study are suggested as: (a) The government should adopt a strategic and sequential institutional reforms that rebrand Nigeria in the global arena and also facilitate legitimate economic activity. This should include streamlining customs and port administration to reduce bottlenecks in trade, strengthening the financial sector regulators to build investor confidence, and enhancing the capacity of the judiciary to efficiently enforce contracts and resolve commercial disputes. (b) The short-run impact of gross domestic product (GDP) per capita, interest rate, and inflation on globalization suggests that economic factors play a significant role. Policymakers should focus on implementing measures to stabilize and improve the economic environment. This could involve strategies to boost GDP per capita, manage inflation, and carefully consider interest rate policies. Addressing these economic variables positively may contribute to fostering a more favourable environment for globalization in Nigeria. (c) While financial sector development shows a negative impact on globalization in the short run, it is essential to note that in the long run, it has a positive effect. Policymakers should therefore focus on policies that promote a robust and well-regulated financial sector. This could include initiatives to strengthen banking systems, improve access to financial services, and implement regulations that foster a stable and secure financial environment.

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