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IMPACTS OF GLOBALIZATION ON THE NIGERIAN ECONOMY

Ezekiel Ali Balami Ph.D¹, Ifatimehin Olayemi Olufemi, Ph.D² and Fatima Shehu Liberty Ph.D³

¹Department of Public Administration University of Maiduguri

²Department of Public Administration Kogi State University, Anyigba.

³Department of Political Science University of Maiduguri

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ABSTRACT

This paper examines the strategic impact of globalization on the Nigerian economy. Globalization, characterized by increased interconnectedness and interdependence among countries, has brought about significant transformations in Nigeria's economic landscape. The analysis begins by clarifying the concept of globalization and establishing a theoretical framework for the study. Subsequently, the paper explores the positive and negative effects of globalization on the Nigerian economy. Positive impacts include access to new markets and expanded business operations, while negative impacts encompass exposure to external shocks and vulnerabilities. The paper concludes by offering recommendations to Nigeria on how to maximize the benefits of globalization while minimizing its adverse consequences. By understanding and effectively managing the strategic implications of globalization, Nigeria can navigate the complexities of the global economy and achieve sustainable economic development.

KEYWORDS: Globalization, Economy

INTRODUCTION

Globalization has been a dominant force in the world economy, shaping the economic landscape of many countries, including Nigeria. The term globalization refers to the increasing interconnectedness and interdependence of nations through the expansion of trade, communication, and investment across borders (Cavusgil, Knight, & Riesenberger, 2017). It has been driven by advancements in technology, transportation, and communication, which have facilitated the exchange of goods, services, and information on a global scale.

Nigeria, as a developing country, has experienced both opportunities and challenges as a result of globalization. The country has abundant natural resources, a large population, and a growing consumer market, making it an attractive destination for foreign investment and trade. Globalization has opened up new markets for Nigerian businesses, enabling them to expand their operations and reach a wider



customer base. This has led to increased economic activity, job creation, and improved living standards for some segments of the population.

However, globalization has also exposed the Nigerian economy to external shocks and vulnerabilities. The country's heavy reliance on commodity exports, particularly oil, has made it susceptible to fluctuations in global commodity prices. Additionally, the liberalization of trade and investment has led to increased competition, both domestically and internationally, which can pose challenges for local industries and workers. According to Iheonu and Obidigbo (2021), globalization has had a profound impact on the Nigerian economy, and it has transformed the country's economic landscape. Nigeria has experienced both positive and negative effects of globalization. On the one hand, globalization has opened up new markets for Nigerian businesses, enabling them to expand their operations and reach a wider customer base. On the other hand, globalization has also exposed the Nigerian economy to external shocks and vulnerabilities.

This paper aims to analyze the strategic impact of globalization on the Nigerian economy. The paper will start by providing conceptual clarifications of the term globalization, followed by a theoretical framework that will guide the analysis. The paper will then proceed to analyze the impact of globalization on the Nigerian economy, highlighting both the positive and negative effects. Finally, the paper will conclude by providing recommendations on how Nigeria can harness the benefits of globalization while minimizing its negative impact.

Conceptual Clarifications

Globalization is a multifaceted concept that has been defined and interpreted in various ways. However, in general terms, it refers to the increasing interconnectedness of economies and societies worldwide, as a result of the expansion of international trade, investment, migration, and communication (Dreher, Gaston, & Martens, 2008). It is a process that transcends national boundaries, and it has significant implications for the economic, political, social, and cultural development of countries. According to Stiglitz (2003), globalization can be viewed as a set of economic policies and institutions that have been promoted by international organizations such as the International Monetary Fund (IMF), the World Bank, and the World Trade Organization (WTO). These policies and institutions aim to liberalize trade, promote foreign investment, and deregulate financial markets, among other objectives. The concept of globalization has also been associated with the emergence of a global culture, characterized by the diffusion of ideas, values, and norms across national boundaries (Tomlinson, 1999). This cultural globalization is facilitated by the spread of media technologies such as television, the internet, and social media. Despite the various interpretations of globalization, most scholars agree that it has significant implications for the economic development of countries. In the next section, we will discuss the theoretical framework that will guide the analysis of the impact of



globalization on the Nigerian economy.

Furthermore, globalization has been seen as a process that creates winners and losers, both within and between countries. Some argue that it has the potential to increase economic growth, reduce poverty, and promote development, while others argue that it can exacerbate inequality, undermine social cohesion, and damage the environment (Milner & Kubota, 2005).

In the context of Nigeria, globalization has been an important aspect of the country's economic development strategy. Nigeria has pursued an outward-oriented economic policy since the 1980s, which has involved the liberalization of trade, the removal of subsidies, and the encouragement of foreign investment (Okeke & Onyeagocha, 2019). However, the impact of globalization on the Nigerian economy has been mixed, and the country has faced several challenges in harnessing its potential benefits. One of the main challenges that Nigeria has faced in the context of globalization is its heavy dependence on oil exports. Nigeria is one of the world's largest oil exporters, and oil revenues account for a significant portion of the country's foreign exchange earnings (Ezeoha, 2015). This dependence on oil exports has made the Nigerian economy vulnerable to fluctuations in global oil prices and has limited the country's ability to diversify its export base.

Another challenge that Nigeria has faced in the context of globalization is the weak institutional framework. The country has been plagued by corruption, poor governance, and political instability, which have undermined the effectiveness of economic policies and institutions (Okeke & Onyeagocha, 2019). These challenges have also limited the country's ability to attract foreign investment and benefit from the global economy.

In addition to the economic aspects of globalization, there are also social and cultural implications that cannot be ignored. As people and goods move across borders, cultural exchange and hybridization occur. This can lead to the emergence of new cultural identities and the spread of popular culture around the world.

Moreover, globalization can also have political implications, as it has the potential to shift power dynamics between countries and regions. Some scholars argue that globalization can lead to a decline in state sovereignty, as states are increasingly subject to the influence of global economic forces and international organizations.

Generally, globalization is a complex and multifaceted phenomenon that has both positive and negative impacts on different aspects of society. It is important for policymakers to carefully consider these impacts and develop strategies to manage them effectively.



Theoretical Framework

Dependency theory is a social, political, and economic theory that seeks to explain the relationships between developed and developing countries. It argues that developing countries are dependent on developed countries and the global economic system for their economic growth, which perpetuates their underdevelopment. Dependency theory emerged in the 1950s and 1960s as a response to modernization theory, which claimed that developing countries could achieve economic growth by adopting Western-style economic systems.

Proponents:

Dependency theory was initially developed by Latin American scholars, including Raul Prebisch, Fernando Cardoso, and Andre Gunder Frank. Later, scholars from other regions, such as Africa and Asia, also contributed to the theory.

Propositions:

Dependency theory proposes that developed countries are responsible for the underdevelopment of developing countries, as they control the global economy and exploit the resources and labor of developing countries for their own benefit. The theory argues that developed countries maintain their dominance through various mechanisms, including trade policies, foreign aid, and multinational corporations. Developing countries are forced to specialize in the production of primary goods, which are then exported to developed countries. This perpetuates the cycle of underdevelopment, as developing countries are unable to develop their own industries and add value to their raw materials.

Strengths:

Dependency theory has several strengths. It highlights the unequal relationships between developed and developing countries and the exploitation of resources and labor of developing countries by developed countries. It also emphasizes the need for economic and political independence and the importance of self-reliance for developing countries.

Weaknesses:

Dependency theory has been criticized for being overly simplistic and deterministic. Critics argue that it fails to account for the diversity of experiences among developing countries and the role of domestic factors in development. Dependency theory has also been accused of neglecting the agency of developing countries and the possibility of alternative pathways to development.

Application of the theory to this paper

The dependency theory can be applied to this paper in analyzing the impact of globalization on the Nigerian economy. According to the theory, the global economic system is characterized by unequal



relationships between developed countries and underdeveloped countries, where the latter depends on the former for economic growth and development. This dependency is perpetuated through various mechanisms such as trade, investment, and aid.

In the context of Nigeria, the country's economy has been largely dependent on the export of primary commodities, such as oil, to developed countries. This has led to a situation where the Nigerian economy is vulnerable to fluctuations in global commodity prices and demand. Additionally, foreign multinational corporations operating in Nigeria repatriate their profits to their home countries, thereby depriving the Nigerian economy of the much-needed capital for development. Moreover, the Nigerian government has relied heavily on foreign aid and loans to finance its development projects, thereby increasing its debt burden. This has led to a situation where Nigeria spends a significant proportion of its revenue on debt servicing, thereby limiting its capacity to invest in critical sectors such as education, healthcare, and infrastructure.

The application of the dependency theory to the Nigerian economy provides insights into the structural constraints that limit the country's economic growth and development. It highlights the need for Nigeria to diversify its economy away from primary commodity exports, reduce its dependence on foreign aid and loans, and promote domestic industries through policies that prioritize local production and consumption. The dependency theory provides a framework for understanding the root causes of underdevelopment in Nigeria and provides insights into the policies and strategies needed to address the country's economic challenges.

Strategic impact of globalization on Nigerian Economy

The impact of globalization on the Nigerian Economy will be analysis using a four braid themes.

Economic Growth and Development

One of the major impacts of globalization on the Nigerian economy is its effect on economic growth and development. Globalization has facilitated the inflow of foreign direct investment (FDI) into Nigeria, which has contributed to the growth of the economy (Ezeoha, 2018). However, some scholars argue that the growth has been largely concentrated in the oil sector, leading to a neglect of other sectors of the economy (Okafor, 2019). This is in line with the dependency theory, which posits that globalization perpetuates the dependence of developing countries on developed countries, leading to the marginalization of their local industries (Frank, 1967).

Furthermore, globalization has led to the opening up of Nigerian markets to foreign competition, which has created challenges for local businesses (Adeniyi & Omotosho, 2017). The liberalization of trade has exposed local industries to the dynamics of the global market, making it difficult for them



to compete with foreign products. This has led to the decline of some local industries, such as the textile and steel industries, which were once major contributors to the Nigerian economy (Ezeoha, 2018).

However, globalization has also created opportunities for Nigerian businesses to expand into the global market through trade and foreign investment (Adeniyi & Omotosho, 2017). For instance, Nigerian banks and telecommunication companies have expanded into other African countries, leading to the growth of these sectors in Nigeria. This highlights the potential of globalization to stimulate economic growth and development if harnessed effectively.

Impact on Nigerian Industries and Employment

Globalization has had a significant impact on Nigerian industries and employment. The increased competition from foreign companies has affected local industries negatively, leading to the decline of several local industries and loss of employment opportunities (Odeleye, 2018). For instance, the textile industry, which was once a significant employer in Nigeria, has experienced a massive decline due to competition from cheap imports from Asia. According to Sani (2020), Nigeria's textile industry had over 140 textile mills in the 1980s, employing over 350,000 workers. However, due to increased competition from cheaper imports, the number of textile mills in Nigeria has reduced to less than 20, with only a few thousand workers. The Nigerian government has also been unable to protect local industries due to the demands of globalization. The International Monetary Fund (IMF) and World Bank, which provide financial support to developing countries, often require them to open their markets to foreign goods and services. As a result, Nigerian industries have struggled to compete with cheaper imports, leading to the closure of several local industries and loss of employment opportunities.

However, globalization has also led to the growth of some industries in Nigeria. The oil and gas industry, for instance, has experienced significant growth due to the increasing demand for energy from developed countries (Odeleye, 2018). This growth has created employment opportunities for Nigerians, especially in the upstream and downstream sectors of the industry. Additionally, the growth of the telecommunications industry has also created employment opportunities for Nigerians, with the country having the largest telecommunications market in Africa (Odeleye, 2018). Globalization has had both positive and negative impacts on Nigerian industries and employment. While it has led to the growth of some industries and employment opportunities, it has also negatively affected several local industries, leading to the loss of employment opportunities. It is, therefore, crucial for the Nigerian government to implement policies that protect local industries while also taking advantage of the opportunities provided by globalization.



Social and Cultural Impact

Globalization has not only impacted the economic and political spheres of Nigeria but also the social and cultural aspects of the country. The cultural globalization has led to the spread of Western values and ideas which have been perceived as a threat to the traditional Nigerian culture (Arowolo & Adeyeye, 2013). The influx of Western ideas has resulted in the erosion of traditional norms, values, and practices in Nigeria. This has led to a loss of identity and cultural homogenization, which is a major concern for many Nigerians. One of the most significant impacts of globalization on the social aspect of Nigeria is the spread of information and communication technologies (ICTs). The emergence of ICTs has led to the creation of a global village where people can communicate and interact with each other regardless of geographical boundaries (Adejare, 2019). This has led to the growth of social media platforms like Facebook, Twitter, and Instagram which have become major tools for socialization and communication in Nigeria.

However, the negative impact of ICTs cannot be overlooked. The easy access to the internet has led to the spread of fake news, cyberbullying, and other negative social vices that have affected the moral fabric of Nigerian society (Adejare, 2019). This has led to a call for more regulation and control of ICTs by the Nigerian government. In addition, the cultural impact of globalization has also led to the spread of Western consumerism and lifestyle which has resulted in increased consumption of foreign goods and products. This has led to a decline in the demand for locally produced goods, resulting in the loss of jobs and income for many Nigerians (Adeniyi & Omole, 2018). The social and cultural impact of globalization on Nigeria has been a mixed bag of positives and negatives. While the emergence of ICTs has led to increased socialization and communication, the erosion of traditional cultural values and the spread of Western consumerism have been major concerns for many Nigerians.

Impact on Trade and Investment

Globalization has brought about increased trade and investment opportunities for Nigeria. With the removal of trade barriers and the liberalization of the economy, Nigeria has become more integrated into the global market. This has led to increased foreign investment in the country, which has helped to boost economic growth and development. The inflow of foreign investment has also facilitated the transfer of technology and knowledge from developed countries to Nigeria, which has helped to enhance the country's productive capacity (Akinboade, 2013).

However, there are also challenges associated with increased trade and investment. For instance, Nigeria's over-reliance on oil exports has made the country vulnerable to external shocks and fluctuations in oil prices. This has contributed to the country's vulnerability to global economic crises. Additionally, the inflow of foreign investment has not always been accompanied by technology transfer and knowledge spillovers, as many foreign firms have been accused of engaging in



exploitative practices and not investing in the local economy (Oyelaran-Oyeyinka & Lal, 2005). Furthermore, globalization has also led to the displacement of local industries and the loss of jobs, as foreign firms often compete with local firms and are able to leverage their economies of scale and technological advantages. This has led to a decline in the competitiveness of local firms, which has further hampered economic growth and development (Ukeje, 2012).

While globalization has brought about increased trade and investment opportunities for Nigeria, there are also challenges associated with these opportunities. To maximize the benefits of globalization, Nigeria must diversify its economy and reduce its dependence on oil exports. Additionally, the government must take steps to ensure that foreign investment is accompanied by technology transfer and knowledge spillovers, and that local industries are protected from unfair competition.

CONCLUSIONS

In conclusion, globalization has had both positive and negative impacts on the Nigerian economy. While it has brought about increased foreign investment and access to global markets, it has also led to increased inequality, environmental degradation, and dependence on foreign countries. The Nigerian government must take proactive measures to mitigate the negative impacts of globalization while maximizing the benefits. This includes investing in human capital, diversifying the economy, improving infrastructure, and promoting domestic industries.

It is important to note that the implementation of these measures must be done in a way that prioritizes the needs and interests of the Nigerian people, rather than just those of foreign investors and corporations. Additionally, the government must work towards ensuring that globalization is not a one-size-fits-all approach, but is tailored to fit the unique needs and circumstances of the Nigerian economy.

RECOMMENDATIONS

Based on the analysis presented in this paper, the following recommendations are suggested:

- I. Promote export-oriented production: The Nigerian government should focus on promoting export-oriented production to take advantage of the opportunities provided by globalization. This can be achieved by providing incentives to companies that export their products and by developing export infrastructure.
- II. Enhance domestic economic competitiveness: Nigeria should focus on enhancing its domestic economic competitiveness by investing in education, research and development, and infrastructure. This will help the country to attract more foreign direct investment and to compete more effectively in the global market.
- III. Address social and environmental concerns: The government should take steps to address



social and environmental concerns that arise from globalization. For instance, efforts should be made to mitigate the negative effects of globalization on local industries and communities.

- IV. Improve governance and regulatory framework: Nigeria should improve its governance and regulatory framework to promote transparency and accountability. This will help to attract more foreign investment and promote economic growth.
- V. Encourage regional integration: Nigeria should work towards regional integration with other African countries to take advantage of the opportunities presented by globalization. This will help to create a larger market and improve the bargaining power of African countries in the global economy.

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