

Impact of Globalisation and Foreign Aid on Inclusive Growth In Nigeria

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ABSTRACT

Nigeria has been persistently experiencing volatility growth over the last four decade despite its it deepening involvement in international economic systems and the steady flow of development assistance, this has not measured up to gains in welfare or significant economic restructuring. This study examines the impact of globalization and foreign development assistance on inclusive economic development in Nigeria, focusing on their autonomous and synergistic impact on the short and long-term time frames. The study uses real GDP per capita as a proxy for inclusive growth, and breaks down globalization into its economic, political, social and institutional aspects, using an interactive modeling framework from 1986 to 2024 and the bounds testing methodology of the Autoregressive Distributed Lag (ARDL) model. The empirical results validate the existence of the stable long run equilibrium relationship between the variables considered, foreign aid has mixed results, with more often than not negative short-term effects related to governance failures and weak absorptive capacity. The positive short-term growth of political globalization are evident, especially when coupled with development assistance, while economic and social globalization have positive long-term influences on inclusive development. The interaction analysis shows that, while social globalization reduces the impact of foreign aid in the short term, high levels of political globalization, backed by strong institutional structures, increase the growth of foreign aid. The research calls for effective distribution of development funds to the productive sectors, better coordination of aid and measures to ease the short-term transition costs of global integration.

Keywords: Economic globalisation, Foreign aid, Inclusive growth, Institutional quality, Political globalisation, and Social globalisation

JEL Classification: F35, F62, F65, G53

1. Introduction

Nigeria has been getting more involved in international economic systems, and has received a steady flow of development assistance in the last few decades, but growth has been very volatile and has not led to any major gains in welfare or any significant economic restructuring. The potential benefits of globalization, such as productivity improvement, competitiveness in trade, and technological diffusion have not been fully realized in the Nigerian context. The country has always been constrained in its development by structural vulnerabilities, including overreliance on hydrocarbon exports, limited manufacturing capacity, weaknesses in critical infrastructure, and institutional governance weaknesses. At the same time, although foreign development assistance is said to be aimed at filling resource gaps and stimulating development, there is serious doubt about the development impact of such assistance, the ability of the country to harness and channel it for advancements “aid dependency syndromes” that might ultimately constrain the country's capacity for self-sustaining growth.

The scholarly discourse surrounding the developmental implications of globalization and foreign development assistance presents a notably fragmented picture. One strand of empirical

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inquiry documents favorable growth externalities emanating from trade liberalization, capital mobility, and cross-border knowledge transfers (Dreher, Gaston & Martens, 2008; Chang & Lee, 2010; Gorodnichenko, Svejnar & Terrell, 2008; Huh & Park, 2019). Conversely, an alternative body of evidence points to negligible or even deleterious consequences, attributing such outcomes to institutional fragility and macroeconomic volatility (Kilic, 2015; Ying, Chang & Lee, 2014; Beri, Mhonyera & Nubong, 2020; Lawal & Yusuf, 2022; Abdulazeez, 2024). The aid-effectiveness literature exhibits comparable ambiguity; certain investigations report constructive developmental contributions (Sowemimo & Iyoha, 2018; Asaleye, Ojo & Olagunju, 2023), whereas others document insignificant or counterproductive effects, particularly within contexts characterized by weak institutional environments (Duru, Okafor, Eze, & Ebenyi, 2020). A critical limitation pervading much of this literature is the tendency to examine globalization and foreign aid as separate determinants, thereby neglecting their potentially synergistic or antagonistic interaction (Ehichoya & Oyinade, 2025). This analytical oversight is consequential, as the growth impact of development assistance may be substantially mediated by the recipient economy's degree of global integration, while the developmental returns from globalization may similarly be amplified or constrained by the availability and productive deployment of external financial resources (Sikiru & Waliu, 2020; Saibu, Ogbuagu & Nwosa, 2022).

In recent times, the concept of inclusivity in growth has become paramount and widely discussed in high and low income countries of the world, this has gone beyond the traditional growth structure that chiefly pays attention to only overraching growth. It is commonly referred to as “growth from below” approach, which examines increasing economic mechanisms and ensuring its fair distribution across all classes and groups of people in the country. This approach has been inherently fundamental on the premise that it is focused on increasing the awarnesnes that postulates that when GDP is observed to be performing, it may not necessarily affect quality of living in such countries. On the otherhand, globalization has been tied with the idea of inclusivity of growth in countries, wherein the concensus asserts that globalization must be geared towards ensuring the standard of living is positively inclisive for all persons and groups.

Globalization is a multi-faceted process of increasing interdependence of national economies and societies in all spheres of their functioning, such as economic, financial, technological, informational and in the realm of politics. There is a realm of economy, which encompasses trade liberalisation, while the social dimension is linked to cultural diffusion and people-to-people links, and the political dimension is linked to international cooperation mechanisms, institutional harmonisation and diplomatic engagement. Empirical evidence suggests that globalization can help to promote equitable development, as it can provide more opportunities for market access, greater investment flows and technology diffusion. However, the impacts of global integration on distribution are far from even. Globalisation can contribute to industrialisation, human capital development and structural change but can also exacerbate inequality, external vulnerability and primary commodity dependence, particularly if the institutional capacities that complement the globalisation process are not present in the economy.

Nigeria presents an instructive case for examining the globalization-aid-inclusive growth nexus, given its status as Africa's largest economy and its progressively deepening engagement with global markets over the past four decades. Yet despite this integration, the country continues to grapple with persistent developmental challenges including elevated unemployment rates, widespread poverty, pronounced inequality, and inadequate access to

fundamental services. Moreover, certain policy indicators including government's ability to enforce policies, rule of law enforcement, as well as curtailing corruption have exhibited concerning deterioration throughout the 2010-2023 period. This pattern suggests that the developmental dividends from global economic integration have not materialized as fully anticipated, raising important questions about the channels through which globalization translates into inclusive outcomes (World Bank, 2024).

Three central purposes are pursued in this research paper. First, measuring the separate influence of globalization dimensions on development results in Nigeria is required. Evaluating the idea of growth constitutes the second purpose. Examining the combined effects of globalization and foreign aid on inclusive development is the third purpose. Nigeria remains the only area of study for the time between 1986 and 2024. A dynamic econometric strategy is utilized because this method can separate short-term and long-term connections. Interaction terms are included by the researcher to show how global integration changes the way foreign aid works. Institutional quality is used as a control variable because experts claim that governance influences inclusive development. Concentrating on Nigeria allows the study to show the specific institutional and structural parts of the Nigerian economy. Policy advice will be created from the results regarding the best ways to use foreign aid in a world that is connected. The investigation specifically helps medical professionals and government leaders understand the management styles that change how foreign aid affects growth.

Beyond its immediate Nigerian focus, this research aims to contribute to the broader Sub-Saharan African discourse on inclusive development by furnishing empirical evidence on the interplay between global integration and external finance in shaping economic outcomes. The policy implications derived from this investigation may thus inform government strategies and development partner engagements in crafting contextually appropriate approaches to fostering sustainable and inclusive economic advancement across the region.

2. Literature Review

The empirical literature on the globalization-growth nexus is vast but has yielded inconsistent findings: results of studies vary widely across countries, sectors, and methods. One recurring theme in this collection is that the growth potential of globalization is not guaranteed or inevitable, but rather depends on the institutional endowments, structural features and policy regimes of a country. The findings of Ehichoya and Oyinade (2025), Sun (2024) and Abubakar (2024) emphasize the need for financial openness and flexibility in exchange rates to enhance the growth effects, while also revealing the negative impact of net export dependence on commodity prices.

In the African context, Beri, Mhonyera, and Nubong (2022) found that growth impacts from the lack of infrastructure were mostly negligible, and that participation in global trade networks was also limited. While conceptual evidence of globalization's growth-enhancing potential via trade and financial channels was provided by Guo (2022), the evidence was not rigorous..

Didžgalvytė-Bujauskė, Pereira and Osteikaitė (2019) found negative short-run but positive long-run effects in developing economies, which implies transitional adjustment costs are followed by longer-term benefits. Titalessy (2018), Olimpia and Stela (2017), and Ying, Chang, and Lee (2014) all reported growth-enhancing impacts of economic and political globalization, while the impacts of social globalization were often negative or insignificant. Previous studies by Rostam, Jali and Toriman (2010) and Afzal (2007) also reported positive long-term relationships, but highlighted cross-country differences and methodological

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limitations. Combining these findings, it seems that globalization could be a catalyst for economic growth, but that its impact is unevenly distributed across the dimensions, with economic and political globalization being more beneficial than social globalization, especially in institutionally weak environments. In the context of South and Southeast Asian nations, Rao et al. (2023) found positive growth connections between foreign direct investment (FDI) and productive external capital and negative growth associations between foreign aid and productive external capital.

Foreign assistance tends to foster growth in developing economies overall, the impact of foreign assistance is quite heterogeneous across income groups (Azam and Feng, 2022). Appiah-Otto et al. (2022) focused on the African continent and found that aid hinders growth if it is not coupled with financial sector development, while Abate (2022) discovered an inverted U-shaped relationship such that aid is harmful when it goes beyond a certain level, especially in the absence of good institutions. In the context of Sub-Saharan Africa, Lemlem (2022) reported positive growth impacts, while Quarshie (2022) did not obtain any statistically significant impacts of aid in the Ghanaian context. Hussain and Rahman (2022) reported positive aid-growth relationships in the context of Bangladesh while Nnamaka (2021) reported positive but insignificant aid-growth relationship in Nigeria.

The impact of foreign aid on economic growth is highly debated and has been found to differ significantly across country contexts, institutional quality and the modality of foreign aid. Recent research highlights the fact that the benefit of aid is not guaranteed, but contingent: depending on governance, absorptive capacity and the interaction between aid and other sources of capital inflows.

Using ARDL technique, Banuka (2025) analyzed the impact of aid on Sri Lanka (1980 – 2023) and found that the positive impact of aid on the short run economic growth of the country, especially in times of crisis, is achieved but the long run impact of aid has been seen only when the institutional quality and governance in the country are of a certain level. Further, Choi and Kim (2024) conducted panel estimations for 93 developing economies and identified a positive yet heterogeneous aid-growth relationship, suggesting that aid's marginal impact is declining with development. Asaleye et al. (2023) tested the effect of aid in Nigeria using Nonlinear ARDL and VECM, concluding that the effect of aid is asymmetric, with a positive shock to aid increasing the long-term growth rate and a negative shock decreasing it.

An extensive literature search identifies three key gaps. First, most of the existing literature focus on aggregate GDP, with less focus on other welfare indicators like poverty, inequality, and social inclusion. Second, the theory of inclusive growth is still underdeveloped in the literature on development assistance, with many studies focusing on the impact of development assistance on output without examining its impact on distributional and human-development indicators. Third, the marginal impact of aid may be negative once the levels of human and physical capital, institutional quality, or other inflows (FDI, debt, remittances) reach certain thresholds, and that is why interaction effects should be considered more.

Third, the existing analytical stream has dealt with globalization and foreign aid separately, and the interactive effects of the two have received little attention. This is a major gap, because global integration can have a major influence on the developmental effects of foreign aid via financial integration, institutional transformation and trade openness channels. Recent work by Ofori, Ojong, and Gbolonyo (2024) and Abdi, Siyad, Sugow, and Omar (2025) recognizes the presence of interactive external dynamics, but there is limited empirical evidence. Fourth, in

the Nigerian context, there are few studies that explicitly combine multidimensional globalization measures. The existing contributions such as those of Ehichoya and Oyinade (2025), Nnamaka (2021) and Asaleye, Ojo and Olagunju (2023) have been on individual variables, without considering the combined effects. Lastly, there is a significant lack of dynamic and interactive modelling approaches of inclusive growth, especially in Sub-Saharan Africa. The present research fills these gaps by investigating the independent and interactive effects of multidimensional globalization and foreign aid on inclusive growth in Nigeria using a dynamic ARDL approach that overcomes conceptual, empirical and methodological limitations of the previous studies.

3. Methodology

3.1 Research Design: A quantitative, time-series design is adopted to empirically test hypotheses on the dynamic, potentially bidirectional links among inclusive growth, globalization, and foreign aid.

3.2 Data: Secondary annual data (1986–2024) for Nigeria are sourced from the World Bank (WDI) for real GDP per capita and ODA, and from ETH Zurich's KOF Index for economic, social, and political globalization. Institutional quality was measured using composite index computed from six good governance indicators from the World Bank.

3.3 Model: Building on Solow and Keynesian frameworks, in addition we modify the technic of Ofori, Ojong and Gbolonyo (2024) where Variables such as Infrastructure, External Assistance and Inclusive Growth. Institutional quality(IQ) is included as a control variable to capture the effectiveness of governance that may independently affect the relationship between globalisation,foreign aids and inclusive growth. Acknowledging the fact that the growth boosting effect of globalization and foreign assistance is premised on the strength and effectiveness of of the internal institutional quality.

The study does not interact external assistance and institutional quality because the core aim is to isolate and compare the marginal effects of globalization-foreign aid interaction relative to the baseline model. This helps to avoid complexity in the interpretation of the estimated coefficients.

The baseline ARDL is specified as follows:

$$RGDP_{Pt} = f(GLB_t, AID_t, IQ_t) \quad (1)$$

Where RGDP represent Inclusive growth, GLB = Globalisation and AID = Foreign Aid, IQ = Institutional Quality. The model is extended in the light of the multifaceted character of globalization:

$$RGDP_{Pt} = f(EG_t, SGB_t, PGB_t, AID_t, IQ_t) \quad (2)$$

Where EGB = Economic Globalisation , SGB = Social Globalisation, PGB = Political Globalisation and Institutional Quality.

Extended to an interactive model adding

$$RGDP_{Pt} = f(EG_t, SGB_t, PGB_t, AID_t, EGB \times AID, SGB \times AID, PGB \times AID, IQ) \quad (3)$$

The econometric version is specified as:

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$$RGDPP_t = \beta_0 + \beta_1 RGDPP_{t-1} + \beta_2 EGB_t + \beta_3 SGB_t + \beta_4 PGB_t + \beta_5 AID_t + \beta_6 IQ_t + \varepsilon_t \quad (4)$$

$$RGDPP_t = \phi_0 + \phi_1 RGDPP_{t-1} + \phi_2 EGB_t + \phi_3 SGB_t + \phi_4 PGB_t + \phi_5 AID_t + \phi_6 (EGB_t \times AID_t) + \phi_7 (SGB_t \times AID_t) + \phi_8 (PGB_t \times AID_t) + \beta_9 IQ_t + \varepsilon_t \quad (5)$$

where $RGDPP_{t-1}$ captures growth persistence, and ε_t is the stochastic error term. $\beta_1 - \beta_8$ and $\phi_1 - \phi_8$ are expected to be greater than 0.

4.1 Descriptive Statistics

This section presents the summary statistics of the variables used in the analysis, followed by the pre-estimation diagnostics, cointegration bounds test, and the short- and long-run regression estimates.

Table 1: Descriptive Statistics

Statistic	RGDPP	AID	EGB	PGB	SGB	IQ
Mean	768480.2	588775.7	43.17569	79.28590	27.40197	-1.107270
Median	760677.1	172844.8	42.44500	82.76000	27.30000	-1.103099
Maximum	1041104	5753951	53.49000	86.60000	43.16000	-1.000249
Minimum	559850.3	214.1575	36.88000	60.48000	12.00000	-1.267109
Std. Dev.	176397.8	1052148	3.263842	7.560027	11.72756	0.063366
Skewness	0.119703	3.311522	0.884324	-1.272151	0.035117	-0.486213
Kurtosis	1.364076	16.06497	4.146970	3.488866	1.278747	2.960651
Jarque-Bera	4.442040	348.6572	7.220935	10.90774	4.822424	1.539139
Probability	0.108498	0.000000	0.027039	0.004280	0.089706	0.463212
Sum	29970730	22962254	1683.852	3092.150	1068.677	-43.18352
Sum Sq. Dev.	1.18E+12	4.21E+13	404.8011	2171.853	5226.357	0.152579
Observations	39	39	39	39	39	39

Source: Authors' computation from E-Views 12 output (2026).

RGDPP= GDP per capita (constant LCU), AID=Net official development assistance and official aid received (constant 2023 Million Dollars), EGB= Economic globalisation (%), PGB=Political globalisation (%), SGB=Social globalisation (%), IQ=Institutional Quality (Principal component index using from Regulatory Quality, Political Stability and Absence of Violence/Terrorism, Rule of Law, Accountability, Control of Corruption, and Government Effectiveness). Overall, GDP per capita and institutional quality show relative stability, whereas foreign aid and some dimensions of globalisation exhibit volatility and non-normality, justifying robust econometric techniques in subsequent analysis.

4.2 Pre-Estimation Tests Results

4.2.1 Trend Specification and Analysis

This study examined the relevance of constants and deterministic time trends in model specification and the results are presented in Table 2.

Table 2: Trend and Constant Specification Results

Variable	Term	Coefficient	Std. Error	t-Statistic	Prob.
lnAID	<i>C</i>	13.18005	0.033108	398.0901	0.0000
	<i>@TREND</i>	0.018212	0.001499	12.14729	0.0000
EGB	<i>C</i>	43.26219	1.039114	41.63374	0.0000
	<i>@TREND</i>	-0.00455	0.047055	-0.09675	0.9234
PGB	<i>C</i>	68.45978	1.231035	55.61155	0.0000
	<i>@TREND</i>	0.569796	0.055745	10.22139	0.0000
SGB	<i>C</i>	9.759376	1.606237	6.075926	0.0000
	<i>@TREND</i>	0.928557	0.072736	12.76617	0.0000
lnAID × EGB	<i>C</i>	7.272343	2.649599	2.744696	0.0093
	<i>@TREND</i>	-0.34634	0.119983	-2.88659	0.0065
lnAID × PGB	<i>C</i>	35.43566	6.668173	5.314148	0.0000
	<i>@TREND</i>	-0.94207	0.301957	-3.11989	0.0035
lnAID × SGB	<i>C</i>	34.67411	5.324011	6.51278	0.0000
	<i>@TREND</i>	-0.42187	0.241089	-1.74985	0.0884

Source: Authors' computation from E-Views 12 output.

Table 2 reveals the trend analysis is premised on lnAID, EGB, PGB, SGB and their interaction terms because the said variables are theoretically and empirically the core variables of the research objectives and the testing of hypothesis. The result shows that the intercept terms for all variables are positive and statistically meaningful at conventional significance thresholds (1%), indicating substantial baseline levels throughout the study period. The trend coefficients for lnAID, PGB, and SGB are positive and statistically significant, suggesting secular upward movements over the sample period. By contrast, the trend coefficient for EGB lacks statistical significance, indicating the absence of a systematic linear trend. The interaction terms lnAID×EGB, lnAID×PGB, and lnAID×SGB all exhibit significant constants, while their trend coefficients are uniformly negative. The trend coefficients for lnAID×EGB and lnAID×PGB achieve statistical significance, whereas lnAID×SGB is marginally insignificant. These negative trend coefficients imply a diminishing temporal influence of aid-globalization interactions.

4.2.2 Unit Root Tests Results

The stationarity properties of the variables were examined using both the Augmented Dickey-Fuller (ADF). The results are presented in Tables 3 and 4.

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Table 3: Augmented Dickey-Fuller (ADF) Unit Root Test Results

Variable	ADF Statistic	Critical Value (5%)	Prob.	Order
Intercept, No Trend				
lnRGDPP	-0.977614	-2.943427	0.7511	
D(lnRGDPP)	-4.092358***	-2.943427	0.0029	I(1)
lnAID	-1.563387	-2.941145	0.4911	
D(lnAID)	-5.346823***	-2.943427	0.0001	I(1)
EGB	-3.800978***	-2.941145	0.0062	I(0)
PGB	-4.972070***	-2.943427	0.0002	I(0)
SGB	-1.041024	-2.943427	0.7282	
D(SGB)	-3.713517***	-2.943427	0.0079	I(1)
IQ	-2.739471*	-2.941145	0.0769	
D(IQ)	-6.633481***	-2.943427	0.0000	I(1)
Trend and Intercept				
lnRGDPP	-1.387628	-3.536601	0.8480	
D(lnRGDPP)	-4.063793**	-3.536601	0.0149	I(1)
lnAID	-3.011451	-3.533083	0.1425	
D(lnAID)	-5.235974***	-3.540328	0.0007	I(1)
EGB	-3.779481**	-3.533083	0.0288	I(0)
PGB	-1.610747	-3.536601	0.7694	
D(PGB)	-11.32857***	-3.536601	0.0000	I(1)
SGB	-1.143444	-3.536601	0.9074	
D(SGB)	-3.713355**	-3.536601	0.0338	I(1)
IQ	-2.774455	-3.533083	0.2149	
D(IQ)	-6.691242***	-3.536601	0.0000	I(1)

Note: *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels respectively. Order I(0) and I(1) indicate stationarity at level and at first difference.

Source: Authors' computation from E-Views 12 output.

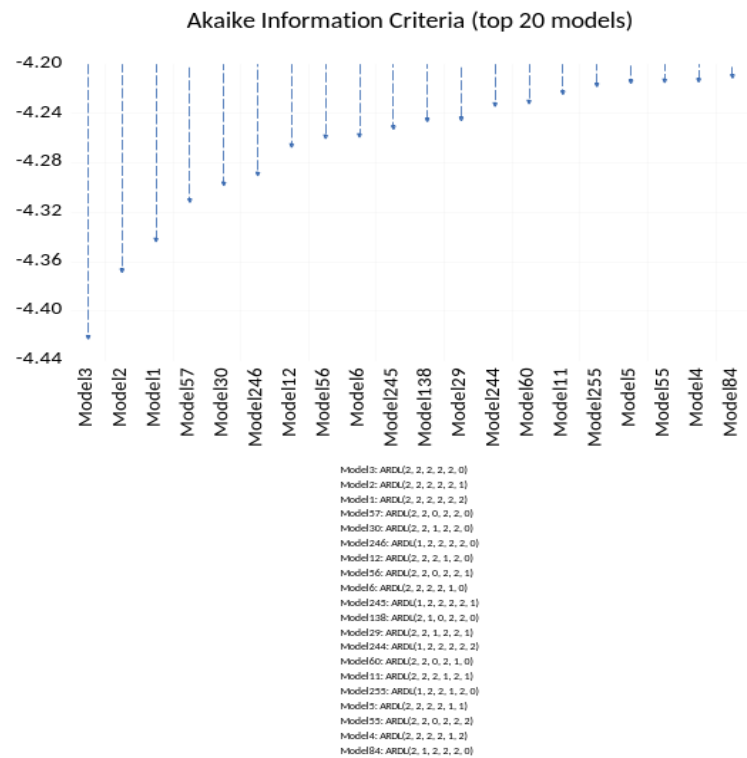
The ADF results show that lnRGDPP, lnAID, SGB, and IQ are non-stationary at levels but become stationary after first differencing. This indicates that they are integrated of order one, I(1). EGB and PGB are stationary at level, I(0).

4.2.3 Optimal Lag Selection

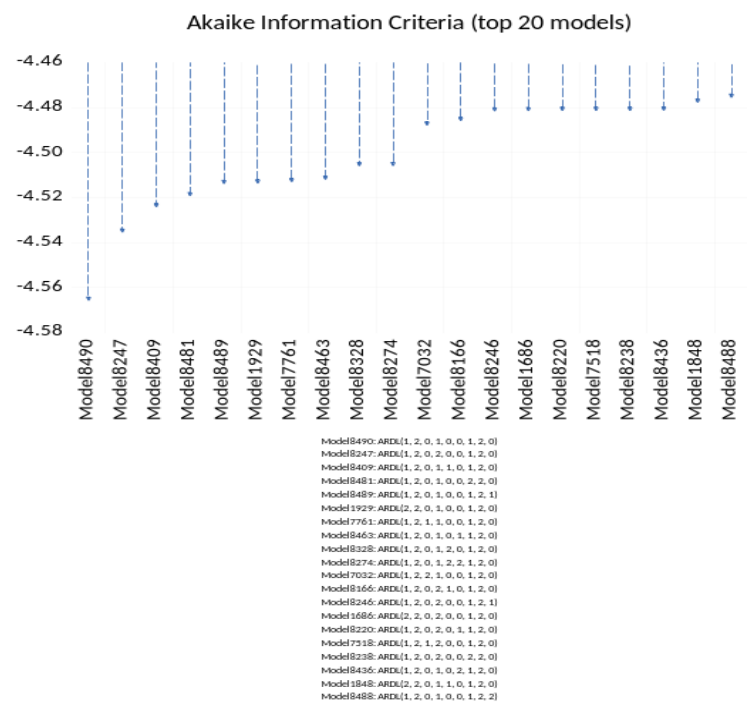
The results of the lag selection for the two equations were estimated and presented in Table 4.

Table 4: Optimal Lag Selection Results

Panel A: Baseline Model



Panel B: Interactive Model



Source: Authors' computation from E-Views 12 output (2026). Model selection based on the Akaike Information Criterion (AIC) among the top 20 fitted specifications.

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Lag length for both ARDL models was selected using AIC, preferred for small samples and parsimony. The interactive model's optimal specification is ARDL(1,2,0,1,0,0,1,2,0) (Model 8490), with up to two lags for key variables balancing fit and simplicity.

AIC declines sharply to this point, then plateaus, confirming no over-parameterisation.

The baseline model's best specification is ARDL(2,2,2,2,2,0) (Model 3), adequately capturing dynamics with two dependent and one explanatory lag.

Additional lags yield negligible AIC gains, indicating diminishing returns.

4.2.4 ARDL Bounds Test Results

Table 5 presents the ARDL bounds test results for the baseline and interactive models.

Table 5: ARDL Bounds Test Results

Model	Level of Significance	Lower Bound I(0)	Upper Bound I(1)
Baseline Model	F-statistic = 6.943874		
	10%	2.75	3.79
	5%	3.12	4.25
	2.5%	3.49	4.67
	1%	3.93	5.23
Interactive Model	F-statistic = 9.51163		
	10%	2.26	3.34
	5%	2.55	3.68
	2.5%	2.82	4.02
	1%	3.15	4.43

Note: $I(0)$ and $I(1)$ denote the lower- and upper-bound critical values respectively. The null hypothesis of no cointegration is rejected where the computed F-statistic exceeds the upper-bound critical value.

Source: Authors' computation from E-Views 12 output.

In the baseline model (Table 5), the F-statistic of 6.943874 exceeds all upper-bound critical values, rejecting the null of no long-run link. This confirms a robust long-term relationship among globalization, foreign aid, and inclusive growth. The interactive model yields an even higher F-statistic of 9.51163, also surpassing all critical bounds and indicating long-run cointegration. The larger F-statistic suggests that accounting for globalization–aid interactions strengthens the long-term association with inclusive growth. Overall, both models provide strong evidence of enduring long-run connections.

4.3 Impact of Globalisation and Foreign Aid on Inclusive Growth in Nigeria

The empirical results about the effects of foreign aid and globalization on inclusive growth in Nigeria are presented in this section. The analysis uses the baseline and interactive models to determine the magnitude, direction, and statistical significance of the long-run and short-run impacts once a long-run cointegrating connection has been confirmed using the ARDL bounds testing approach.

Table 6: Long-Run Impact of Globalisation and Foreign Aid on Inclusive Growth in Nigeria

Variable	Baseline Model			Interactive Model		
	Coefficient	Std. Error	Prob.	Coefficient	Std. Error	Prob.
lnAID	0.047795***	(0.011278)	0.0004	0.052292*	(0.025340)	0.0523
EGB	0.011887***	(0.003584)	0.0034	0.004646	(0.003714)	0.2254
PGB	-0.001505	(0.002386)	0.5353	0.012398*	(0.006555)	0.0731
SGB	0.017878***	(0.001375)	0.0000	0.014627***	(0.002401)	0.0000
lnAID × EGB	—	—	—	0.000255	(0.001953)	0.8973
lnAID × PGB	—	—	—	0.006996**	(0.002719)	0.0182
lnAID × SGB	—	—	—	0.001631	(0.002002)	0.4249
IQ	0.421635***	(0.138743)	0.0065	0.815931***	(0.187870)	0.0003
<i>R-squared</i>	0.802434			0.828872		
<i>Adjusted R-squared</i>	0.715506			0.779979		
<i>F-statistic</i>	9.230931***			16.95256***		
<i>Durbin-Watson</i>	2.290641			1.788210		
<i>Jarque-Bera (Prob.)</i>	0.079314 (0.9611)			1.388657 (0.4994)		

Note: Figures in parentheses are standard errors. *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels respectively. — indicates the term is not specified in that model.

Source: Authors' computation from E-Views 12 output.

The long-run ARDL estimates reported in Table 6 indicate that economic globalization and foreign aid (lnAID) are both positive and significant in influencing inclusive growth in the baseline model. The political globalization (PGB) is negative, but insignificant, and the social globalization (SGB) is strongly positive, while the institutional quality (IQ) is significant. With the interactive model, the coefficient of SGB is still significant at 10% level while the coefficient of lnAID is still significant at 10% level, but the coefficient of EGB is not significant at 10% level. PGB becomes positive and weakly significant (0.0124; $p < 0.10$), while interaction terms are only positive and significant for lnAID×PGB (0.0070; $p < 0.05$). This means that greater political globalization makes foreign aid more growth-enhancing.

Table 7: Short-Run Impact of Globalisation and Foreign Aid on Inclusive Growth in Nigeria

Variable	Estimate	Std. Error	Prob.
Baseline Model			
C	9.028505***	(1.247672)	0.0000
@TREND	-0.006403***	(0.000915)	0.0000
D(lnRGDPP(-1))	0.260732**	(0.10592)	0.0230
D(lnAID)	0.016191**	(0.006376)	0.0195
D(lnAID(-1))	-0.023948***	(0.007656)	0.0053
D(EGB)	0.003558***	(0.001151)	0.0058
D(EGB(-1))	0.003646***	(0.001269)	0.0094
D(PGB)	0.001627	(0.002995)	0.5929
D(PGB(-1))	-0.007425**	(0.002922)	0.0194
D(SGB)	0.002384	(0.002457)	0.3435

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Variable	Estimate	Std. Error	Prob.
D(SGB(-1))	-0.007179**	(0.002678)	0.0144
CointEq(-1)*	-0.701373***	(0.097189)	0.0000
Interactive Model			
C	5.524286***	(0.503727)	0.0000
@TREND	-0.004705	(0.000572)	0.0000
D(lnAID)	-0.011054	(0.005467)	0.0568
D(lnAID(-1))	-0.025429	(0.005850)	0.0003
D(PGB)	0.021825	(0.003120)	0.0000
D(lnAID × PGB)	0.008796	(0.000945)	0.0000
D(lnAID × SGB)	-0.003397	(0.000639)	0.0000
D(lnAID × SGB(-1))	-0.002736	(0.000573)	0.0001
CointEq(-1)*	-0.505975	(0.046219)	0.0000

Note: Figures in parentheses are standard errors. *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels respectively.

Source: Authors' computation from E-Views 12 output.

The short-run ARDL-ECM dynamics are presented in Table 7. The negative trend is significant while the positive constant is significant in the baseline model, and the positive lagged dependent variable $D(\ln \text{RGDPP}(-1))$ is significant.

Foreign aid $D(\ln \text{AID})$ is positive and significant, while its lag $D(\ln \text{AID}(-1))$ is negative and highly significant, and economic globalization is positive and significant in both current and lagged form.

Political globalization is insignificant now but negative and significant when lagged, while social globalization is insignificant currently but negative and significant in lag.

The error correction term coefficient is -0.7014 (significant at 1%), suggesting that $\sim 70\%$ of short-run disequilibrium is corrected every period.

In the interactive model, $D(\ln \text{AID})$ is negatively correlated and small, whereas $D(\ln \text{AID}(-1))$ is negatively correlated and large, and political globalization is positively correlated and large.

The interaction $D(\ln \text{AID} \times \text{PGB})$ is positive and significant, the interaction $D(\ln \text{AID} \times \text{SGB})$ and its lag are negative and significant, and the ECM is -0.5060 ($p < 0.01$), which explains $\sim 51\%$ of the deviations per period.

Table 8: Post-Estimation Diagnostic Test Results

Test	Baseline Model	Interactive Model
Breusch-Godfrey Serial Correlation LM Test (F-statistic)	2.574126 (0.1039)	0.137411(0.8725)
Heteroskedasticity Test: Breusch-Pagan-Godfrey	0.748999 (0.7187)	1.32053(0.275)
Ramsey RESET Test	0.667814 (0.4239)	0.755499(0.3956)

Source: Authors' computation from E-Views 12 output.

The null hypothesis states that there is no serial correlation cannot be rejected, according to the findings of the diagnostic tests displayed in Table 8. The Breusch-Pagan-Godfrey heteroskedasticity test indicates homoskedastic residuals. The accuracy of the model specification is confirmed using the Ramsey RESET test. In general, the baseline and interactive ARDL models are statistically reliable and well-specified.

5.1 Conclusion

The study has explored the growth-inclusiveness implications of globalization and foreign development assistance in the context of Nigeria, focusing on the independent and interactive impacts in the short and long term. The empirical results based on ARDL and interactive modeling techniques show that globalization and foreign aid are not automatically and uniformly pro-development. Instead, the effects are contingent on institutional and political arrangements, vary by dimension and are temporally dependent.

The results suggest that economic globalization (both trade liberalization and knowledge diffusion), social globalization (cultural exchange and connectivity), and foreign development assistance (resource supplementation) have positive effects on inclusive growth in the long term. But the political globalization is not always accompanied by positive inclusive growth results without foreign aid. The developmental benefits of globalization and external finance are always enhanced by institutional quality.

Foreign assistance can have positive short-term impacts on inclusive growth, but these benefits are short-lived and can turn negative if there is no absorptive capacity and governance structure. Adjustment costs are negative short-term effects of both political and social globalization, which precede their longer-term benefits. The interaction analysis shows that political globalization has a positive impact on the effectiveness of foreign assistance in the present and in the long run. In particular, the way external resources and global integration are managed domestically, through the right governance institutions and policy frameworks, is more important for inclusive growth results than the size of aid inflows or the level of global integration.

It provides new empirical evidence on the impact of these external forces in the context of domestic institutional and policy frameworks. The results have implications for policy in Nigeria and may be applicable to other African economies. However, the limitations of secondary data sources used in the study make it difficult to generalize the results. Cross-country comparative designs and/or the addition of other development indicators in future research could broaden the analytical scope.

5.2 Policy Recommendations

Sustainable growth requires a shift in development assistance towards productive and inclusive sectors such as education, healthcare, infrastructure, agriculture, and skills development. Aid agreements should be linked to national development priorities, include sectoral allocation frameworks, include results-based financing, and be based on systematic impact evaluation to maximize productivity gains and welfare improvements.

Political globalization should be used to improve the effectiveness of aid. Nigeria needs to improve its diplomatic engagement, increase its involvement in multilateral platforms and accelerate governance reforms to promote policy coordination, donor confidence and accountability mechanisms.

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The challenge is to manage globalization to reduce short-term adjustment costs. Nigeria needs to adopt specific social protection measures, labour market measures and skills development measures to help workers and households cope with structural transitions and to enhance economic resilience.

Development-enhancing globalization needs to be complemented by investments in capacity building to make sure that economic openness leads to inclusive and sustainable growth. This requires smart investments in infrastructure, digital connectivity, education, innovation systems, technology transfer mechanisms and export diversification.

Enhancing institutional quality is a key precondition to realizing the maximum developmental gains from foreign assistance and global integration. Governance effectiveness, regulatory quality, rule of law enforcement, and anti-corruption measures (increased transparency, accountability and public financial management) should be included in reform priorities. Improvements in anti-corruption institutions, monitoring systems, and in introducing performance-based budgeting will increase overall efficiency.

Last but not least, improving the absorptive capacity of aid and improving macroeconomic coordination is crucial to prevent contractionary short-term impacts. More integration of development assistance flows into fiscal and macroeconomic policies, and better coordination between fiscal, monetary and external sector policies, will help to reduce volatility and strengthen long-term development results.

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