FUW-INTERNATIONAL JOURNAL OF MANAGEMENT AND SOCIAL SCIENCES.
VOLUME 9, NO. 1, JANUARY - JUNE, 2024

ECONOMIC GLOBALISATION AND URBAN UNEMPLOYMENT IN NIGERIA

Azebi, Oyeinbrakemi Innocent (Ph.D)
Department of Economics and Development Studies,
Federal University, Otuoke, Bayelsa State.

&

Baghebo, Michael (Ph.D.)
Department of Economics
Niger Delta University, Wilberforce Island Bayelsa State.

Abstract

Considering that unemployment has been a serious problem in the Nigerian economy, and that economic globalisation had been proposed by the International Monetary Fund (IMF) as an alternative to addressing the problem, this study examined how components of economic globalisation - foreign direct investment(SFDI), foreign portfolio investment (SFPI) and international trade balance (SITB) - as percentage share of real gross domestic product (RGDP) affect urban unemployment (UUE) in the country. To achieve this objective, data for the period 1986 to 2021 were estimated using the Augmented Dickey-Fuller unit root test and the Autoregressive Distributed Lag (ARDL) Bound test technique. The results indicate that the SFDI and SFPI were stationary at level, while SITB and UUE became stationary after first difference. It was also observed that the variables have long-run relationship, and that SFDI and SITB had positive and significant impact on urban unemployment, while SFPI reduced urban unemployment in Nigeria significantly. The study concludes that SFDI and SITB contributed to rising urban unemployment in Nigeria, while SFPI was very potent in the reduction of urban unemployment in the county. The study therefore, advocated among others, that the Nigeria capital market be developed and further expanded in order for greater global economic integration, so as to allow for free flow of portfolio investment in the country. More so, foreign direct investments with labour friendly technologies should be encouraged in the country as this type of FDI has the capacity of employment more local workers.

Key words: Urban unemployment, foreign direct investment, foreign portfolio investment.

1.0 Introduction

Advocates of economic globalisation believe that increasing economic integration among countries is a panacea for unemployment of any form. Economic globalisation as defined by the Organisation for Economic Cooperation and Development (2005, p.11), refers to a dynamic and multidimensional process of economic integration whereby national resources become more and

more internationally mobile, while national economies become increasingly interdependent. In a broad sense, economic globalization refers to the increasing integration of national economies around the world, particularly through trade and financial flows. Economic globalisation also involves trade in goods, services, capital flows and trade in assets such as currency and stock (Washington International Trade Association, 2022).

Modernisation theorists, argue that international economic integration and the power of external forces can induce rapid changes in terms of increased employment and economic development. External forces refer to components of economic globalisation such as foreign direct investment, foreign portfolio investment and international trade among others. Foreign direct investment with labour-intensive technique is adduced to increase employment given that it has the capacity to employ large number of local labour (Karimov, Parádi-Dolgos & Pavlin, 2020), while foreign portfolio investment is opined to contribute to employment when it flows in, and is productively absorbed in the economy. Employment is generated via foreign portfolio investment when capital market funding on private sectors and government development bonds influence production positively (Elekwa, Aniebo, & Ogu, 2016). International trade on the other hand, trigger expansion of markets, increase trade volumes and create jobs (Briggs, Nteegaha & Ohale, 2022). As the export volume of a country rises, its employment creation increases (Mohler, Weder & Wyss, 2018).

The growing mass of urban unemployed and under-employed have been regarded by many as a great social evil and a prime source of human tragedy. Others including politicians in power fear it as a source of political instability. This is because the presence of large numbers of unemployed people in the towns and cities put a great deal of pressure on governments, national and sub-national to increase recurrent expenditures in order to provide civil service jobs for the unemployed. At the same time, governments are faced with demands on their capital budgets to spend more for development purposes. In addition, increasing urban population creates demand for urban services: housing, sewerage, electricity, roads, police and fire protection, and the like. Sadly, a large mass of urban unemployed or under-employed do not generate the output or tax revenues which are needed to provide these services. For these and other reasons, the political

consensus in most developing countries is that the pressure of urban unemployment has to be relieved (Frank, 1968).

In order to relief the pressure of urban unemployment, many less developed countries, Nigeria inclusive embraced the option of economic globalisation as recommended by the International Monetary Fund (IMF) and the World Bank in 1986. The rationale for economic globalisation is that it offers consumers a wider variety of goods at lower prices, while providing strong incentives for domestic industries to remain competitive. On the other hand, exports which are a source of economic growth for developing nations stimulate job creation as industries sell beyond their borders. In addition, greater openness can also stimulate foreign investment which would be a source of employment for the local workforce and could bring along new technologies, thus, promoting higher productivity (IMF, 2002)

Since 1986, Nigeria has continued to be integrated in the world economy. Statistics reveal that components of economic globalisation, whether financial flows or international trade have been on the increase for the past three (3) decades. For instance, foreign portfolio investment in Nigeria increased from N0.15 billion in 1986 to N919 billion in 2019 (CBN, 2021), while foreign direct investment in the country increased from $0.19 billion in 1986 to a peak of $8.84 billion in 2011 before it declined to $2.39 billion in 2020, and then increased to $3.31 in 2021. Nigeria's total exports increased from $2.88billion in 1986 to a peak of $146.37billion in 2012, before it declined to $47.34billion in 2021. Nigeria's trade balance improved from $0.75 billion in 1986 to a maximum of $86.12 in 2012 before it declined to $-4.85 in 2021 (Macrotrends, 2024). The declines could be attributed to poor economic management, insecurity issues in the country and business cycles such as fall in oil prices and Covid-19. Nevertheless, average statistics indicate that these components of economic globalisation have improved over the past decades.

Given the improvements in the components of economic globalisation, it is expected that the urban unemployment figures should decline drastically. Conversely, the urban unemployment rate in the country has witnessed tremendous increase over the decades, rising from 9.1% in 1986 to 31.3% in 2020 (CBN, 2021; NBS, 2021). This has raised doubts as to how effective components of economic globalisation have been in addressing the country's unemployment problem. To this end,

some scholars have investigated the nexus between economic globalisation and unemployment in Nigeria. The studies however, have been filled with mixed findings. For instance, Daoudi (2023) and Nwaka, Uma and Tuna (2015) argued that economic globalisation does reduce unemployment, while Romanus et al. (2020) and Elekwa, Aniebo and Ogu (2016) opined that economic globalisation contributed to the in employment. It is worthy to state however, that studies on the link between economic globalisation and urban unemployment in Nigeria are scarce. One of such studies is that conducted by Okoli and Callistus (2024). This study therefore, aims to contribute empirically to the existing literature. Specifically, the study investigates whether or not foreign direct investment, foreign portfolio investment and international trade have significant effect on urban unemployment in Nigeria.

2.0 Literature Review

2.1 Conceptual Framework

Urban Unemployment: urban unemployment refers to the proportion of the labour force who are unemployed in the urban areas. It also refers to the proportion of people who wish to work in the industrial or manufacturing sector, but cannot find any job. Reducing urban unemployment to its barest minimum has been a focal point of developed and developing countries. This is because of the enormous negative effects it has, not only on the economy of a country but also on its society (Predrag & Zeljko, 2018). Long period of urban unemployment causes the society to suffer limited employment opportunities, low-quality housing, fewer available recreational activities, limited access to public transportation, public services, underfunded schools and increase in other forms of crime rates such as drug trafficking, gambling, and prostitution (Indeed, 2022; Edeh, 2021).

Foreign Direct Investment: these are investments usually undertaken by large multinational corporations (MNCs) with production activities in two or more countries, and headquarters which is usually situated in developed countries. This form of investment entails inflow of foreign capital in the area of equity participation. It is investment made to acquire a lasting and controlling interest in an enterprise operating in a country that is not that of the investor.

Foreign Portfolio Investment: this consists of the acquisition of assets by foreign national companies in a domestic stock in money market. It is the purchase of transferable securities such as bonds, stock or equity, commercial paper, certificates of deposits, and others by foreign

investors. Unlike foreign direct invest which seeks direct control, foreign portfolio investment does not exercise management control over the companies in which the securities were purchased. It only seeks a share of the profit made by the company.

International Trade: international trade refers to the exchange of goods and services between two or more countries. It is the movement of durable and non-durable goods and services across international borders. International trade plays a key role in the economic development of countries as it offers gains such as job creations.

The consensus among proponents of economic globalisation is that it plays a key role in unemployment reduction, and helps drive economic growth and development of nations. For the purpose of the study, a conceptual framework model is presented below:

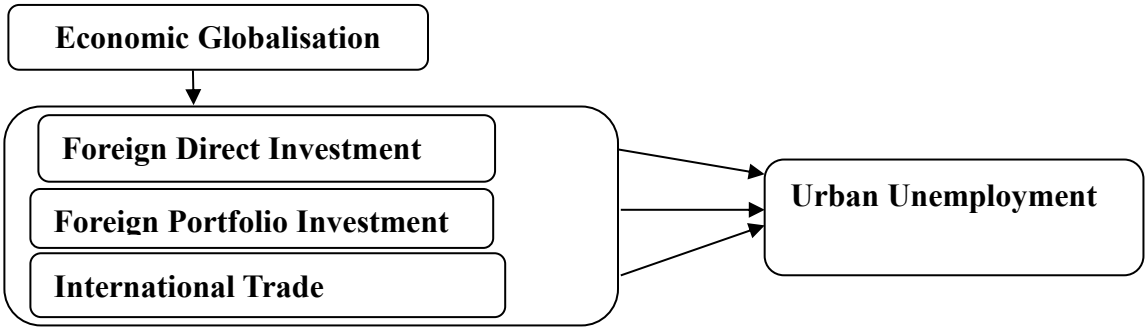

Figure 1: Conceptual Framework Model
Source: *Author's Computation.*

2.2 Empirical Literature

Employing data from 1990 to 2020, Okoli & Callistus (2024) investigated how foreign direct investment impacts on both rural and urban unemployment in Nigeria. The econometric model was estimated using a dynamic ordinary least squares approach. Findings unveiled that FDI increased urban unemployment significantly in Nigeria. On the contrary, FDI impacted insignificantly on rural unemployment. It was advised among others, that good investment policies and favourable business environment are necessary to enable FDI contribute to reduction of unemployment in the country.

Using dynamic model for a two sector, Güven (2024) analysed how poverty in urban areas and conservation of local resources are influenced by trade policies. The study found that as import tax charged on resource goods in the rural areas increased, it led to reduction in urban unemployment.

However, environmental quality was adversely affected. The study recommended among others that subsidy on rural income and urban wage would be the most efficient policy to adopt.

Daoudi (2023) examined how unemployment rate in Algeria is affected by inflow of foreign direct investment. Unemployment was modeled as a function of gross fixed capital formation, public spending and real gross domestic product. Data for the period 1980 - 2020 were analysed, and from the results, the study concluded that FDI has not played any role in reducing unemployment in Algeria.

Employing data from 1985 to 2017, Romanus et al. (2020) reviewed how unemployment relates with the inflow of foreign direct investment in Nigeria. The study found that FDI and unemployment exhibited significant positive relationship. It was on this premise, that the study reached the conclusion that effective trade policies are veritable for making the economy of Nigeria viable, given that it creates avenue for attracting FDI that can generate employment in the country.

With emphasis on Mexico's manufacture and service sectors, Saucedo, Ozuna & Zamora (2020) reviewed how inflows of FDI affect the employment and wages of low and high skilled labour in the country. Panel data from 2005 to 2015 for the 32 states in Mexico were analysed using the Fixed-Effects and Panel Corrected Standard Errors. The study concluded that as FDI into the manufacture sector increases, employment of low and high skilled labour in this sector also increases. However, low skilled employees only enjoy marginal increase in their wages, while no statistical effect was found for that of high skilled employees in the sector. On the other hand, the study reported that results for the service sector were inconclusive.

In another study, Ndugbu, Osuka & Duruchi (2019) concluded that in the long run, unemployment is not Granger caused by private sector investment. This conclusion was reached after the study reviewed how unemployment in Nigeria is influenced by foreign direct investment (FDI), private domestic investment and (PDI) and foreign portfolio investment (FPI). It was advised that policies that are capable of driving private sector investments be encouraged.

Using data for the period 1980-2014, Elekwa, Aniebo & Ogu (2016) reviewed how portfolio investment boosted employment creation in Nigeria. The study discovered that in the long run, portfolio investment contributed to the growth of employment in Nigeria in a positive and

significant manner. In other words, portfolio investments played critical role in unemployment reduction in the country. It was recommended that stakeholders pay keen attention to this variable. Curious about the relationship between trade and unemployment, Nwaka, Uma & Tuna (2015), using data which spanned from 1970 - 2010 assessed how unemployment is affected by trade policy in Nigeria. The study discovered that real GDP and per capita income reduced unemployment in the country, while openness of trade increased unemployment in the long run.

In another review, Hasan et al. (2012) analysed the effect of trade protection on state and industry-level unemployment in India. It was discovered that trade reforms reduced the rate of unemployment in the country. Findings from analysis at the state- level revealed that states which had flexible markets and major shares in the export industries experienced reduction in urban unemployment as trade liberalisation expended. The study concluded that employees in industries with less trade protection are unlikely to experience high unemployment.

Within the context of post-globalisation era, Banerjee & Nag (2010) investigated how Foreign Direct Investment (FDI) affected the rate of unemployment and welfare in economies with surplus labour. To achieve this, the study adopted a three-sector general equilibrium framework. It was discovered that increase in agricultural sector export, orchestrated by FDI increased the problem of urban unemployment when sticky wages exist in addition to agricultural dualism.

3.0 Methodology

Research Design

Ex-post facto research design was employed in the study. This research design gives the leverage of estimating the data collected on the respective variables, with the motive of establishing the cause-effect relationship of the variables.

Model Specification

We begin by specifying the functional form of the model;

$$UUE = f(FDI, FPI, ITB) \quad (3.1)$$

Where UUE is Urban Unemployment Rate, FDI is Foreign Direct Investment, FPI is Foreign Portfolio Investment and ITB is international trade balance which is employed as proxy for international trade. In order to avoid erroneous estimation, all the variables are express in a

common unit, in this case, percentage. Thus, FDI, FPI and ITB are taken as a percentage share of Gross Domestic Product (GDP). Therefore, equation 3.1 is re-expressed as

$$UUE = \beta_0 + \beta_1 SFDI + \beta_2 SFPI + \beta_3 SITB \quad (3.2)$$

Following equation 3.2, we specify the econometric form of the model as;

$$UUE_t = \beta_0 + \beta_1 SFDI_t + \beta_2 SFPI_t + \beta_3 SITB_t + \varepsilon_t \quad (3.4)$$

Where: UUE denotes Urban Unemployment; SFDI denotes Foreign Direct Investment; SFPI denotes Foreign Portfolio Investment; SITB denotes International Trade Balance; ε_{it} denotes error term; t denotes time trend and β_1-β_3 are coefficients, that is, parameters to be estimated.

A Priori Expectation of the Variables

Share of Foreign Direct Investment is expected to reduce urban unemployment if properly used and vice-versa. Share of Foreign Portfolio Investment is also expected to reduce urban unemployment if adequately utilised and vice-versa. An increase in international trade can either reduce or increase urban unemployment depending on the degree of export and import of a country. Thus, Share of International Trade Balance is expected to reduce urban unemployment if export is more than import and vice-versa.

Sources of Data

Publications of the Central Bank of Nigeria (2021) and the World Bank (2021), as well as the Publication of the National Bureau of Statistics (NBS) (are the major sources from which information about the respective variables were retrieved.

4.0 Presentation and Discussion of Results

4.1 Presentation of Results

The descriptive properties of the variables are shown in Table 4.1.

Table 4.1: Descriptive Statistics for Urban Unemployment and Economic Globalisation, Variables in Nigeria.

	SFDI	SITB	SFPI	UUE
Mean	1.628333	6.228056	0.632500	11.14167
Median	1.415000	6.310000	0.335000	9.450000
Maximum	5.790000	19.43000	3.750000	31.30000
Minimum	0.180000	-5.190000	-0.550000	3.100000
Std. Dev.	1.243926	5.791260	0.857456	7.521450
Skewness	1.711263	0.344424	1.889029	1.154825
Kurtosis	5.879503	2.777388	6.774228	3.648937
	30.00782	0.786102	42.77779	8.633403

Jarque-Bera				
Probability	0.000000	0.674994	0.000000	0.013344
Sum	58.62000	224.2100	22.77000	401.1000
Sum Sq. Dev.	54.15730	1173.854	25.73308	1980.028
Observations	36	36	36	36

Source: Author's computation

Table 4.1 shows that between 1986 and 2021, the minimum urban unemployment rate recorded was 3.10%, while the maximum rate recorded was 31.30%. The mean, urban unemployment rate was 11.14%. With the Jarque-Bera statistic of 8.63 and probability value of 0.01, the hurly burly of urban unemployment is also not normal. The kurtosis statistic value of 3.66 shows that the series (urban unemployment) is also leptokurtic as its kurtosis value is greater than 3. This also implies the series (urban unemployment) is described to have a wider or flatter shape, with fatter tails, leading to a higher possibility of intense positive or negative occurrences. It is also pertinent to state that the statistics for the urban unemployment variable is positively skewed which is evidenced by the skewness statistic of 1.15.

The share of foreign direct investment (FDI) in GDP between 1986 and 2021 as captured in Table 4.1 has a mean of 1.6% of GDP, with a minimum value of 0.18% of GDP. The highest FDI to GDP ratio was 5.79%. The skewness statistic of 1.71 for SFDI indicates that the statistics for FDI is positively skewed. The kurtosis statistic of 5.88 is indicative of the fact that the dispersion of the SFDI statistics is also leptokurtic in nature, which implies that the FDI variable has a greater chance of positive or negative occurrence. The Jarque-Bera statistic of 30.01 and its corresponding probability value of 0.00 shows that the SFDI data is not also normally distributed, Thus, the hypothesis of normality in the distribution of the SFDI variable is rejected.

The data for foreign portfolio investment as a percentage of GDP (SFPI) as shown in Table 4.1 has a minimum value of -0.55 and a maximum value of 3.75. The average value of portfolio investment as a percentage of GDP was 0.63, while its skewness statistic of 1.89 shows that the data is also positively skewed. The kurtosis statistic value of 6.77 is indicative of the fact that the dispersion of the portfolio investment data is also leptokurtic in nature, which implies that the dispersion also has a fat or thick tail, as the kurtosis value of 6.77 is greater than 3. The Jarque-Bera statistic of 42.78 and its corresponding probability value of 0.00 shows that SFPI is not normally distributed.

Therefore, the hypothesis of normality in the distribution of the foreign portfolio investment variable is rejected.

The data for international trade balance as a percentage of GDP (SITB) as shown in Table 4.1 has a minimum negative value of -5.19 and a maximum positive value of 19.43. The mean of international trade balance as a percentage of GDP was 6.23. The skewness statistic of 0.34 for international trade balance shows that the statistic on SITB is positively skewed. The kurtosis statistic of 2.78 is indicative of the fact that the dispersion of the international trade statistics is also platykurtic in nature, which implies that the dispersion has a low or thin tail, as the kurtosis value of 2.78 is less than 3. The Jarque-Bera statistic value of 0.79 and its corresponding probability value of 0.67 shows that the international trade data is normally distributed. Therefore, the hypothesis of normality in the distribution of the international trade balance variable is accepted.

4.2 Unit Root Test Results

The stationarity of the variables was determined using the Augmented Dickey-Fuller unit root test. It is prudent to ascertain the stationarity characteristics of the series. The key is to avoid using erroneous or absurd estimation output to advocate policies. The results are summarised in Table 4.2.

Table 4.2: Unit root test results (ADF tests)

	Augmented Dickey-Fuller Test			
Series	Levels	First Diff.	5% C.V	Ord. of Int.
SFDI	-3.942	-	-2.948	I(0)
SITB	-1.468	-7.955	-2.954	I(1)
SFPI	-3.857	-	-2.948	I(0)
UUE	-1.015	-7.301	-2.951	I(1)

Source: Author's computation

Table 4.2 shows that the variables used in the study have mixed order of stationarity. It indicates that SFDI and SFPI are stationary at level. Meaning that these variables exhibit unit root in their

various level forms. However, the variables SITB, and UUE became stationary after taking the first difference. The mixed order of stationarity as seen in Table 4.2 gives the justification to employ the Autoregressive Distributed Lag bound test technique in determining if the variables have long run relationship or not. The results are shown in Table 4.3

Table 4.3: ARDL Bounds Test for Economic Globalisation Variables, and Urban Unemployment in Nigeria

Dependent Variable: D(UUE)
Selected Model: ARDL(4, 4, 4, 4, 4, 4)
Case 1: No Constant and No Trend

F-Bounds Test			Null Hypothesis: No levels relationship	
Test Statistic	Value	Signif.	I(0)	I(1)
			Asymptotic: n=1000	
F-statistic	22.74036	10%	1.81	2.93
K	3	5%	2.14	3.34
		2.5%	2.44	3.71
		1%	2.82	4.21
Actual Sample Size	32		Finite Sample: n=35	
		10%	-1	-1
		5%	-1	-1
		1%	-1	-1
			Finite Sample: n=30	
		10%	-1	-1
		5%	-1	-1
		1%	-1	-1

Source: Author's computation

Table 4.3 shows the long-run properties of the variables in the model. The result shows that the variables exhibit joint convergence in the long-run. This is because the ARDL F-statistic value of 22.74036 is higher than the 5% upper bound (I(1) Bound) value of 3.34. Hence, the null hypothesis of "no long-run relationship exists" is rejected and its alternate hypothesis is accepted. By implication, the variables are related in the long run. We therefore, analyse the conventional ARDL error correction model (ECM), and the results are shown in Table 4.4.

Table 4.4: ARDL Error Correction Model Results for Economic Globalisation Variables, and Urban Unemployment in Nigeria

Dependent Variable: D(UUE)

Selected Model: ARDL(4, 4, 4, 4, 4, 4)
Case 1: No Constant and No Trend
Included observations: 32

ECM Regression
Case 1: No Constant and No Trend

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(SFDI)	0.658774	0.202231	3.257527	0.0472
D(SFDI(-1))	3.532954	0.313570	11.26687	0.0015
D(SFDI(-2))	2.179819	0.259374	8.404142	0.0035
D(SFDI(-3))	-0.625476	0.184718	-3.386122	0.0429
D(SFPI)	-5.919271	0.303680	-19.49182	0.0003
D(SFPI(-1))	12.76294	0.911303	14.00516	0.0008
D(SFPI(-2))	6.032602	0.624493	9.659994	0.0024
D(SFPI(-3))	-0.450840	0.348637	-1.293150	0.2865
D(SITB)	0.732583	0.075390	9.717257	0.0023
D(SITB(-1))	1.931098	0.122741	15.73314	0.0006
D(SITB(-2))	1.541280	0.112717	13.67391	0.0008
D(SITB(-3))	0.874728	0.072821	12.01208	0.0012
CointEq(-1)*	-0.304714	0.015975	-19.07474	0.0003

R-squared	0.993134	Mean dependent var	0.725000
Adjusted R-squared	0.973395	S.D. dependent var	5.067353
S.E. of regression	0.826545	Akaike info criterion	2.570580
Sum squared resid	5.465410	Schwarz criterion	3.669882
Log likelihood	-17.12928	Hannan-Quinn criter.	2.934968
Durbin-Watson stat	2.942898		
F-statistic	24.03571		
Prob(F-statistic)	0.000000		

* p-value incompatible with t-Bounds distribution.

Source: Author's computation

The result presented in Table 4.4 shows that foreign direct investment expressed as a percentage share of GDP impacted positively on the rate of urban unemployment in Nigeria as the coefficient of SFDI has a positive value of 0.658774. This also negates a priori theoretical expectation as increase in FDI ordinarily should result in the reduction of unemployment in any economy. This is because, as FDI inflows increases, it is expected that more jobs would be created, which will in turn result in the reduction of national unemployment. However, from the result in Table 4.4 above, the reverse is the case for Nigeria for the period covered by this study. The positive value of 0.658774 for SFDI indicates that as SFDI increases by 1%, urban unemployment rate increases by about 0.66% all other things being equal. The absolute student t-statistic value for SFDI of 3.257527 and its corresponding probability value of 0.0472 implies that SFDI impacted

significantly on urban unemployment rate over the period under review. This assertion is made because the absolute student t-statistic value for SFDI of 3.257527 is greater than 3 and its corresponding p-value of 0.0472 is less than the significant level at 5%.

Similarly, Table 4.4 indicates that foreign portfolio investment as a percentage share of GDP (SFPI) impacted negatively on rate of urban unemployment in Nigeria. The evidence lies on the fact that the coefficient of SFPI has a negative value of -5.919271. This agrees with priori theoretical postulation that an increase in foreign portfolio investment is anticipated to raise the productive base of the local economy, thus, leading to reduction in unemployment rate, all other things being equal. The negative value of -5.919271 for SFPI indicates that a one percent increase in foreign portfolio investment would result to about 5.9 percent reduction in urban unemployment rate, holding every other variable constant. The absolute student t-statistic value for SFPI of 19.49182 and its corresponding probability value of 0.0003 showed that foreign portfolio investment had a significant impact on urban unemployment rate over the period of the study. This assertion is also made because the absolute student t-statistic value for SFPI of 19.49182 is higher than 2 and its corresponding probability value of 0.0003 is also not higher than the 5% level of significance.

Table 4.4 further shows that international trade balance as a percentage of GDP (SITB) impacted positively on the rate of urban unemployment in Nigeria over the period covered by the study. The evidence is clear as the coefficient of SITB had a positive value of 0.732583. This also negates a priori theoretical expectation as increase in international trade balance ordinarily should reflect a reduction of the unemployment figure. This is because an increase in international trade balance implies that output level in the local economy is also increasing, which is also as a result of increase in productive manpower in the domestic economy. Thus, it is expected theoretically that international trade balance and unemployment rate generally should have an inverse relationship. The positive value of SITB of 0.732583 indicates that a one percent increase in SITB would result to about 0.73% increase in urban unemployment rate, all other things being equal. The absolute student t-statistic value for SITB of 9.717257 and its corresponding probability value of 0.0023 showed that international trade balance had a significant positive impact on urban unemployment rate over the period of the study. This assertion is also made because the absolute student t-statistic

value for SITB of 9.717257 is greater than 2 and its corresponding probability value of 0.0023 is less than the 5% level of significance.

The variable (cointEq(-1)) in Table 4.9 is the error correction term or variable, and it accounts for the speed of adjustment in the model. The result shows that any short-run disequilibria among the variables in the model will be corrected at the speed of 30%. In other words, if there is a short-term disturbance in the system that makes the variables in the model to oscillate or drift away from their equilibrium path, in the long-run, they would return at the speed of just 30 percent. The is because the coefficient of the error correction term (CointEq(-1)) is negative as expected (i.e, -0.304714) and its corresponding probability value of 0.0003 is also significant at the 0.05 level of significance.

The adjusted R^2 value of 0.973395 shows that, the estimated model has a very good fit. It also shows that the explanatory variables, jointly explained about 97% of the variations in urban unemployment rate in Nigeria, while only 3% is being accounted for by the stochastic/error variable in the model. The Durbin-Watson statistic value of 2.942898 indicates that the estimated model is free from serial or autocorrelation. This is further validated by the serial correlation test result in table 4.5.

Table 4.5: Breusch-Godfrey Serial Correlation LM Test for Economic Globalisation Variables, and Urban Unemployment in Nigeria:

F-statistic	3.412870	Prob. F(2,1)	0.3575
Obs*R-squared	27.91093	Prob. Chi-Square(2)	0.2157

Source: Author's computation

The result in Table 4.5 shows that the model estimated does not have the problem of serial or auto-correlation as observed R-squared (Obs*R-squared) value of 27.91093 and its corresponding probability Chi-Squared (Prob. Chi-Square(2)) of 0.2157 are not statistically significant at 0.05 level of significance. Thus, the null hypothesis of the residuals of the model being serially correlated is rejected and its alternate hypothesis of no serial correlation is accepted. This also makes the estimates of the model valid for making predictions and also for policy options.

A test for multicollinearity was also conducted to ascertain whether the independent variables in the equation are correlated among themselves and the result is presented in Table 4.6. The Variance Inflation Factor (VIF) method was adopted for the test. The rule of thumb for the test is that, any variable with VIF greater than 10 has a problem of multicollinearity with other variables, therefore, could pose a problem in the regression equation, which may also affect the forecasting power of the estimates in the model estimated. Thus, such variable may be dropped from the equation.

Table 4.6: Multicollinearity Test for Economic Globalisation Variables, and Urban Unemployment in Nigeria

Variance Inflation Factors
Included observations: 32

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
SFDI	0.408251	6.322225	2.177672
SFPI	0.741253	3.200129	2.127355
SITB	0.021064	6.279898	2.871593

Source: Author's Computation

From Table 4.6, all the VIF values for the variable are very low (lower than 10), meaning that the variables in the model do not have multicollinearity problem, which also implies that the estimates of the ARDL model in Table 4.3 are good enough for making predictions and also for policy options.

4.2 Discussion of Findings

From the results in Table 4.4, it was seen that foreign direct investment had a positive and significant effect on urban unemployment rate. Our finding corroborates that of Okoli & Callistus (2024). It implies that an increase in foreign direct investment over the years led to significant increase in urban unemployment rate. This could be an indication that the foreign direct investment inflows into the country over the years have either been mis-managed or channeled into unproductive sectors of the economy, thereby resulting to the increase in urban unemployment rate. In addition, most foreign direct investments in Nigeria like the multi-national corporations employ capital intensive technologies or technique of production which limits their ability to employ local man power. This contributes to unemployment rate in the economy.

The result in Table 4.4, also revealed that foreign portfolio investment had a negative and significant impact on urban unemployment rate in Nigeria. This corroborates the finding by Elekwa, Aniebo, and Ogu (2016). This implies that as foreign portfolio investment increases, urban unemployment rate would decline, all other things being equal. This also implies that foreign portfolio investment is an essential variable to regulate the unemployment in Nigeria.

Again, the results in Tables 4.4, indicated that international trade balance had a positive and significant impact on urban unemployment rate. Our finding negates the finding by Güven (2024), but aligns with that of Nwaka, Uma and Tuna (2015). It implies that, an increase in international trade balance over the years led to a significant increase in urban unemployment rate. This could be indicative of the fact that Nigeria's international trade is heavily hinged on a single product (crude oil) which only engages few of the urban populace in the exploration, production and exportation processes of the commodity. In addition, Nigeria is more of import dependent country given that it imports more than it exports.

5.0 Conclusion and Recommendations

Based on the findings, the study concludes that; foreign direct investment is a key variable that contributes to rising urban unemployment rate in Nigeria; foreign portfolio investment plays a major role in reducing urban unemployment rate in Nigeria, while international trade increases urban unemployment rate in Nigeria. The study therefore, recommends an upgrade and more integration of the Nigerian capital market to the global capital market in order to encourage and allow for free flow of portfolio investment as this has proven veritable for reducing urban unemployment in the country. Labour friendly foreign direct investments should be encouraged in the country as this has the capacity of employing more persons that capital intensive form of foreign direct investments such as those of large multi-national corporations. The Nigerian government should review her international trade policy given that international trade contributed to increase in urban unemployment rate. Nigeria's exposure to free trade has caused the shut-down of several firms since these firms lack the economies of scale to compete with foreign firm whose cost of production is relatively cheap. To this end, protectionist trade policy should be considered to protect firms in industries that can produce certain goods for the Nigerian economy.

References

Banerjee, R., & Nag, R. N. (2010). FDI, Unemployment, and Welfare in the Presence of Agricultural Dualism: A Three-Sector General Equilibrium Model. *The Pakistan Development Review,* 49(2), 119–128.

Briggs, T. D., Nteegaha, A. & Ohale, L. (2022). Does international trade reduce unemployment? Empirical evidence from Nigeria. *Asian Journal of Economics, Finance and Management,* 4(1), 462-481.

Central Bank of Nigeria (2021). Central Bank of Nigeria statistical bulletin, volume 32.

Daoudi, (2023). Does foreign direct investment contribute to reducing unemployment in Algeria? *Theoretical and Applied Economics,* XXX (2(635)), 211-230

Edeh, S. C. (2021). Effects of unemployment on individuals, society and economy. Retrieved on January 7, 2023 from:https://bscholarly.com/effects-of-unemployment-on-individuals-society-and-economy/.

Elekwa, P. O., Aniebo, C. A., & Ogu, C. (2016). Does foreign portfolio investment affect employment growth in Nigeria? *Journal of Economics and Sustainable Development*, 7, 81-84.

Frank, C. R. (1968). Urban unemployment and economic growth in Africa. *Oxford Economic Papers,* 20(2), 250-274.

Güven, G. (2024). Urban unemployment, environmental preservation and trade policies in a small open economy with open access renewable resources. *Journal of Cleaner Production,* 440.

Hasan, R., Mitra, D., Ranjan, P., & Ahsan, R. (2012), Trade liberalization and unemployment: Theory and evidence from India. *Journal of Development Economics,* 97(2), 269-280.

Indeed (2022). How unemployment affects individuals and the economy. Retrieved on May 27, 2023 from https://www.indeed.com/career-advice/career-development/effectsunemployment.

International Monetary Fund (2002). Globalisation: Threat or opportunity? Retrieved on May 4, 2023 from https://www.imf.org/external/np/exr/ib/2000/041200to.htm.

Karimov, M., Parádi-Dolgos, A. & Pavlin, R. K. (2020). An empirical analysis of the relationship between foreign direct investment and unemployment rate: Evidence from Turkey. *European Research Studies Journal*, XXIII(1), 453-464.

Macrotrends (2024). *Nigeria exports from 1960-2024.* Retrieved on February 10, 2024, from https://www.macrotrends.net/global- metrics/countries/NGA/nigeria/exports.

Macrotrends (2024). *Nigeria foreign direct investment 1970-2024.* Retrieved on February 10, 2024 from https://www.macrotrends.net/global-metrics/countries/NGA/nigeria/foreign-direct-investment.

Macrotrends (2024). *Nigeria trade balance 1960-2024.* Retrieved on February 10, 2024, from https://www.macrotrends.net/global- metrics/countries/NGA/nigeria/trade-balance deficit.

Mohler, L., Weder, R., & Wyss, S. (2018). International trade and unemployment: towards an investigation of the Swiss case. *Swiss Journal of Economics Statistics,*154(10), 1-12.

National Bureau of Statistics (2021). *Labour force statistics: Unemployment and underemployment report, quarter 4 2020.* 1-90. Retrieved on May 25, 2023 from https://nigerianstat.gov.ng/elibrary/read/1238.

Ndugbu, M. O., Osuka, B. O., & Duruechi, A. H. (2019). Private sector investments and unemployment in Nigeria (1986-2016). *Research Journal of Finance and Accounting,*10914), 68-78.

Nwaka, I. D., Uma, K. E., & Tuna, G. (2015). Trade openness and unemployment: Empirical evidence for Nigeria. *The Economic and Labour Relations Review*, 26(1), 117-136.

Okoli, K. C. & Callistus, T. O. (2024). Assessing the impact of foreign direct investment on unemployment rate in Nigeria. *Asian Journal of Economics, Business and Accounting*, 24(4), 260-277.

Organisation for Economic Cooperation and Development (2005). *Handbook on economic globalisation indicators. 11-14*. Retrieved on June 14, 2023 from https://www.oecd.org/sti/ind/34964971.pdf.

Pesaran, M. H., Shin, Y. & Smith, R. J. (2001). Bounds testing approaches to the analysis of level relationships. *Journal of Applied Econometrics*, 16, 289-326.

Predrag, B., & Zeljko, M. (2018). The danger of long-term unemployment and measures for its reduction: the case of Croatia. *Economic Research-EkonomskaIstraZivanja*, 31(1), 1837–1850.

Romanus, O., Oluwalayomi, D. A., Oluwatoyin, M., Osayande, Q. I., & Esther, E. (2020). Foreign direct investment inflow and employment in Nigeria. *Investment Management and Financial Innovations*, *17*(1), 77-84.

Saucedo, E. Ozuna, T. & Zamora, H. (2020). The efect of FDI on low and high-skilled employment and wages in Mexico: a study for the manufacture and service sectors. *Journal for Labour Market Research,* 54(9), 1-15.

Washington International Trade Association (2022). What is economic globalisation? *Congressional Research Service*. Retrieved from https://www.wita.org/ustrade/basics-of-trade/economic-globalisation/.

World Bank (2021). *World Development Indicators*. World Bank open data. Retrieved on March 4, 2023 from https://data.worldbank.org.