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# THE ROLE OF GLOBALIZATION AND HUMAN CAPITAL DEVELOPMENT IN THE SUSTAINABLE ECONOMIC GROWTH OF NIGERIA.

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***Abstract***

*Globalization has become a dominant force shaping economies worldwide, with profound implications for human capital development and sustainable economic growth, particularly in developing nations like Nigeria. This paper examined the relationship between globalization, human capital development, and sustainable economic growth in Nigeria. This study critically analyzed the effect of the interaction between globalization and human capital development on sustainable economic growth in Nigeria, covering the period from 1989 until 2022. The study utilized trade openness and human capital development to investigate the dynamics of Nigeria's integration into the global economy. Gross fixed capital formation, foreign direct investment, government expenditure, and credit to the private sector are deployed as the control variables for the study. The Autoregressive Distributed Lag (ARDL) was employed to analyze the long-run and short-run effects of the variables empirically. Findings suggest that globalization and human capital development have positive and significant effects on sustainable economic growth in the short run. In the long run, the effect of both variables is not significant. The synergistic effect of globalization and human capital development on economic growth is not significant in the short run and long run. The study recommends decisive policy actions to improve the quality of human capital development in an effort to enhance the contribution to sustainable economic growth. Also, the government should sustain the positive effect of globalization to enhance access to larger markets, increase competitiveness, encourage innovation and promote long-term sustainable economic growth.*

**KEY WORDS:** Credit to Private Sector, Foreign Direct Investment, Globalization, Government Expenditure, Human Capital Development, Sustainable Economic Growth.

## 1.0 Introduction

Globalization is characterized by the interrelationship between economies, societies, and cultures on a global scale and has significantly transformed the dynamics of economic development in nations. In the modern world, globalization has become a defining factor



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that has an unparalleled impact on the social, political, and financial domains. The economic structures, commercial interactions, and technical advancements of nations have been impacted by globalization, a process marked by growing interconnection (Baldwin, 2019). Globalization offers both opportunities and challenges for Nigeria, the most populous nation in Africa with the largest economy, especially in its pursuit of sustainable economic growth. Globalization has a significant impact on Nigeria's growth trajectory in the domain of human capital development (HCD). For a developing economy such as Nigeria, where attempts to raise living standards and combat poverty must be in line with the global economic system, this relationship between globalization, human capital, and sustainable growth is essential (Rodrik, 2018).

The relationship between globalization, human capital development, and sustainable economic growth has attracted much scholarly attention in the context of Nigeria's democratic transition. The effects of globalization on emerging nations' development processes have prompted a more critical and in-depth analysis of globalization's aftereffects in the face of the economies' apparent limitations. The majority of less developed economies, including Nigeria, have seen their economic conditions worsen over time. Their populations are frequently plagued by poverty, squalor, hardship, frustration, and insecurity, all of which lead to political instability.

A nation can achieve economic growth from improvements in the output of key economic sectors, such as the primary sector and manufacturing, through improvements in the adoption and utilization of technological advancements. By creating new markets, transfers of foreign direct investment (FDI), and improvements in skills and knowledge, globalization can support economic growth in developing nations like Nigeria (Fofack, 2019). However, a nation's institutional quality and the development of its human capital play a vital role in how much globalization promotes sustainable development.

The dilemma of expansion without development has plagued Nigeria, as it does many emerging countries (Akpan & Nnorom, 2019). Even though the nation is rich in oil and has gone through periods of fast economic expansion, problems, including poverty, inequality, and environmental degradation, still exist (Aminu & Anono, 2019). Therefore, even while globalization might spur growth, its contribution to sustainable economic growth depends on how well human capital is used. Trade liberalization, financial integration, technical breakthroughs, and a surge in foreign direct investment are just a few of the many facets that make up globalization (Alenoghena & Odior, 2013). These elements could affect a country's economic growth in both positive and destructive ways. The connection between globalization and economic development in Nigeria has been the focus of much discussion and research.

Amna Intisar et al. (2020) claim that the ideas of openness and trade emancipation are the most hotly contested issues in all economies. Trade openness focuses on eliminating constraints on trading operations. Globalization has brought about numerous significant changes in economic and structural activity, both domestically and internationally. According to Lin (2017), an organization's most vital, significant, and valuable resource

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is its human capital. Human resources have the power to build or break a business and outperform other resources in terms of performance. Trade openness is essential for the nation's human capital development because it will allow it to source workers from elsewhere.

Human capital is one of a company's most intangible assets, along with intellectual capital. However, Aderemi et al. (2020) claimed that because of the ongoing increase in economic interdependence, regional integration, the erasure of national borders, and the development of digital technologies in recent decades, globalization has become an unavoidable phenomenon in every nation or region of the world.

Nigeria's involvement in the African Continental Free Trade Agreement (AfCFTA), which went into effect in 2021, is one noteworthy example. The goal of the AfCFTA is to establish the largest free trade area in the world, which would include 54 African nations with a combined GDP of more than $3 trillion. This offers Nigeria the chance to expand trade and further integrate into the world economy (United Nations Conference on Trade and Development [UNCTAD], 2021). However, Nigeria's capacity to grow its human capital in order to satisfy the demands of a cutthroat global market would play a significant role in the success of this integration.

This study seeks to examine the role of globalization and human capital development in sustainable economic growth in Nigeria. Some existing empirical studies have covered the relationship between globalization and sustainable economic growth (Ajudua & Okonkwo, 2014; Jarigbe et al., 2024; Oluwagbade & Ibidapo, 2024). Also, some authors have investigated the relationship between human capital development and sustainable economic growth (Ajudua & Okonkwo, 2014; Sakiru & Olabisi, 2015; Okoh et al., 2023). However, the existing empirical literature has been scanty on the effect of the nexus between globalization and human capital development on sustainable economic growth. This research study aims to fill the lacuna in the literature by investigating the relationship between the three variables in one study covering the period from 1989 until 2022. The rest of this article is organized as follows. Section two contains the literature review, which discusses the empirical literature review. Section two focuses on the theoretical framework and methodology for the study. The methodology section describes the data, model, and econometric technique used. Section four concerns the empirical results and reports the estimation results, while the discussion subsection interprets the study's findings. Finally, the fifth section concerns the summary of the study conclusions and policy recommendations.

## 2.0 Theoretical Framework

The theoretical framework for this study include the Endogenous Growth Model and the Human Capital Development Theory.

### 2.0.1 The Endogenous Growth Model

Long-term economic growth is fueled by investments in information, innovation, and human capital, according to the endogenous growth theory (Romer, 1994). It highlights that nations can spend on infrastructure, research, and education to produce long-term growth from within. Since information and human capital are becoming more and more critical growth drivers in the global economy, endogenous growth theory has gained significant traction in the context of globalization (Howitt, 2010). Also, the endogenous growth theory emphasizes how crucial it is for Nigeria to have a competent labour force in order to compete internationally and promote sustainable development.

In the endogenous growth context, globalization and human capital development can interact synergistically to boost productivity in several key ways. Enhanced Knowledge Spillovers can gain traction as globalization opens up economies to international markets, ideas, and technologies. In the course of global trade and investment, countries can absorb advanced technologies and modern management practices from the advanced world (Sultana & Turkina, 2020). Also, access to global markets will increase the customer base and patronage of company products for domestic firms. The access to a larger market justifies more significant investments in innovation and research and development (R&D) as the firms can now expect higher returns on their investments. In addition, a globally integrated economy encourages higher standards in general education, skills development, training, and health as countries strive to maintain a competitive hold on a global scale. A better-educated and more skilled worker has a better capacity to assimilate and adapt to new technologies, which in turn leads to higher productivity for the country.

### 2.0.2 Human Capital Development Theory

Gary Becker created the human capital theory in 1964. According to this idea, a person's abilities, knowledge, and health are all types of capital that affect their level of output. Accordingly, spending money on education and training is an investment in economic expansion (Becker, 1993). According to contemporary interpretations of Becker's theory, nations with healthier and better-educated people are more competitive and able to promote sustainable development in an increasingly interconnected globe (Camilleri & Camilleri, 2020). Key elements of human capital development include education and skill development to enhance the cognitive and technical abilities of the human factor. The theory also emphasizes the importance of health and well-being in ensuring a healthy workforce to maximize productivity. The workplace training is designed for the life-long learning and continuous improvement of worker competencies. The theory also places a premium on the social and cultural capital of the people in terms of enhancing the values and social cohesion that facilitate the economic activity of the people. The point of emphasis is that nations like Nigeria must place a high priority on high-quality healthcare, education, and vocational training if they hope to properly use their people capital (Udenigwe et al., 2022).

In the application of human capital development to globalization and sustainable development, globalization has augmented the significance of human capital by

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enhancing labour mobility, technological advancements, and international competition. The nations with well-developed human capital often take the lead in technological innovation competitiveness, digital transformation and labour mobility (Nadezhina & Avduevskaia, 2021). Also, Sustainable development aims to balance economic growth, social inclusion, and environmental protection. Human capital is central to achieving this by fostering skills and knowledge that drive innovation and sustainable practices. Hence, quality education provides an environment that enables sustainable development, and good health facilities promote the capacity to drive efficiency and focus on the productivity of the worker.

### 2.1 Empirical Literature Review

The review of empirical literature was conducted in accordance with the broad relationships among the variables utilized in this study.

The first to be reviewed concerns the relationship between human capital development and sustainable economic growth. The writers' conclusions in this section fall into two categories: The first set of authors argue in favour of a positive relationship between human capital development and sustainable economic growth (Nkogbu, 2015; Anyanwu et al., 2015; Olowookere et al., 2021; Awogbemi, 2023). The proponents of a positive relationship between human capital development and sustainable economic growth opine that as human capital development—which includes the health and education sectors—increases, there will be a positive effect on productivity, and the economy will generally improve, leading to sustainable economic growth. Conversely, some other authors contend that human capital development has a detrimental effect on sustainable economic growth. These authors posit that there are other crucial tools which are more important to increasing the economy's growth than human capital development (Adekoya, 2018; Aderemi et al., 2021; Awogbemi, 2023).

Scholars have examined the relationship between globalization and sustainable economic growth, and their conclusions are summarized in two ways. The first set of empirical studies in this case are of the view that a positive correlation exists between globalization and sustainable economic development (Oluwagbade & Ibidapo, 2024; Jarigbe et al., 2024; Ajudua & Okonkwo, 2014). The writers in this category maintain that permitting foreign direct investment, limiting free commerce, and transferring technology will all have a significant positive impact on sustainable economic growth. However, some researchers hold a contrary position and argue that globalization hinders sustainable economic growth. It typically encourages and discourages local production and sales as people tend to support external production while ignoring domestic production (Sakiru & Olabisi, 2015; Okoh et al., 2023).

The empirical literature review of the relationship between human capital development, globalization and sustainable economic growth has a gap in the literature. While many scholars have examined the relationship between human capital development and sustainable economic growth, others have also examined the relationship between

globalization and sustainable economic growth. However, the literature on the nexus between human capital development, globalization and sustainable economic growth has been scanty. Hence, this study focuses on contributing to the literature on the relationship between human capital development, globalization and sustainable economic growth in Nigeria.

## 3.0 Methodology

This study uses econometric approaches and time series data to assess the effect of globalization, human capital development, and sustainable economic growth in Nigeria. The independent variables in this study include foreign direct investment (FDI), human capital development (HCD), government expenditure (GEXP), Credit to Private Sector (CPS) and globalization (GLOB). Gross Fixed Capital Formation (GFCF) serves as a proxy for the dependent variable (Sustainable Economic Growth). All of these measures are used in the study to achieve this goal.

The study uses annual time series data with 33 observations from 1989 to 2022. Thus, the data's primary sources are the Nigerian Central Bank's Annual Statistical Report (2022) and the World Bank Development Indicators (2022).

### 3.1 Model Specification

In order to show the relationship between globalization, human capital development and sustainable economic growth, we refer to the model of Okunade et al. (2022). In the model, the authors expressed output as a function of globalization, human capital development, financial development and other variables. When the model is adapted to the objective of this study and sustainable economic growth is expressed as a function of globalization, human capital development, foreign direct investment, government expenditure and financial development. The following linear specification of the econometric model is shown in equation (1) as follows:

SUST = f(GLOB,HCD, FDI, GEXP, CPS) - - - (1)

SUST = f(GLOB, HCD, HCD*GLOB, GEXP,CPS) - - - (2)

Where,

SUST = Gross Fixed Capital Formation; GLOB = Trade Openness; HCD = Human Capital Development; FDI = Foreign Direct Investment; GEXP = Government Expenditure; CPS = Credit to Private Sector; All the variables are taken as ratio of GDP

Equation (2) cab be further expressed in the functional form as follows:

$$SUST_t = \beta_0 + \beta_1 GLOB_{1t} + \beta_2 HCD_{2t} + \beta_3 FDI_{3t} + \beta_4 GEXP_{4t} + \beta_5 CPS_{5t} + \varepsilon_t \quad - \quad - \ (3)$$

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In the same format the effect of the interacted components of globalization and human capital development on sustainable economic growth in equation (2) may be presented as follows:

$$SUST_t = \beta_0 + \beta_1 GLOB_{1t} + \beta_2 HCD_{2t} + \beta_3 GLOB * HCD_{3t} + \beta_4 FDI_{4t} + \beta_5 GEXP_{5t} + \beta_6 CPS_{6t} + \varepsilon_t \quad - \quad - \quad (4)$$

Where $\beta_0, \beta_1, \beta_2, \beta_3, \beta_4 \; and \; \beta_5$ are the coefficient to be estimated and $\varepsilon_t$ is the stochastic error term. The apriori expected signs of the coefficients are $\beta_1 > 0, \beta_2 > 0, \beta_3 > 0, \beta_4 > 0 \; and \; \beta_5 > 0$. The parameter $\beta_5 > 0$ implies a positive relationship between the dependent variable and the independent variable.

### 3.2 Sources of data

All the data for this study is secured from the World Development Index (WDI) 2022.

**Table 1 - Description and Measurement of Variables**

| Variable | Description and Measurement | Source |
|---|---|---|
| SUST | The proxy for Sustainable Economic Growth is Gross Fixed Capital Formation (GFCF). GFCF refers to land improvements (fences, ditches, drains, and so on); equipment purchases, plant, machinery; and the construction of railways, roads, and the like, including schools, offices, hospitals and the like. (Estimated as share of GDP) | WDI |
| GLOB | Globalization uses Trade Openness as proxy. It is a measure of participation of a country in international trade. The variable is measured by the ratio of the value of imports and exports of a given country to its domestic product. | WDI |
| HCD | The Human Capital Index estimates the contributions of education and health to the productivity of the worker. The index score ranges from zero to one giving an indication of the productivity contribution of an ideal worker in full health and complete education. | WDI |
| FDI | Foreign direct investment are the net inflows of investment to acquire a lasting management interest (10, percent or more of voting stock) in an enterprise operating in an African Country. Estimated as share of GDP. | WDI |
| GEXP | Government expenditure is the total amount of money that the central government spends on consumption, investment, and transfer payments. It is estimated as a share of GDP | CBN |
| CPS | Domestic credit to private sector refers to financial resources provided to the private sector by other depository financial institutions like loans, purchases of non-equity securities, and trade credits and accounts receivable, that establish a claim for repayment. | WDI |

**Source: Compiled from WDI (2022) and CBN Reports (2022)**

### 3.3 The Analytical Framework

#### 3.3.1 The Autoregressive Distributed Lag (ARDL) Approach

This research study employs the Autoregressive Distributed Lag (ARDL) Bound Testing Cointegration Technique for the regression analysis of the models in the survey. Pesaran et al. (2001) show that the OLS estimators of the short-run parameters are consistent with the ARDL-based estimators. Also, the ARDL approach makes the long-run coefficients to become superconsistent in small sample sizes. Thus, once the standard errors have been modified, the normal asymptotic theory supports making valid inferences on the long-run parameters. The ARDL approach yields reliable and asymptotically regular estimates for the long-run coefficients, notwithstanding that the underlying variables are integrated at I(0) or I(1). Hence, the ARDL approach permits the joint specification of a combination of non-stationary and stationary variables in the regression estimation.

The arguments for the use of the ARDL cointegration technique in this article are specified as follows: First, the ARDL technique has the capacity to handle the analysis of variable relationships with mixed order of integration with stationarity at level [I(0)] or at first difference [I(1)] or with the combination of both features. Second, the ARDL model can also be deployed to effectively estimate the model that consists of a purely short-term sample situation where the underlying variables have no long-term cointegrating relationship. Third, the ARDL model delivers a robust result for both the short-run and long-run relationships concurrently without the loss of any long-run information. Since the macroeconomic variables involved in this study are expected to be non-stationary and may yield a spurious regression, a unit root test would first be conducted in the prelude to the implementation of the ARDL model procedure. Although the ARDL model requires the stationarity pre-test on the variables to ascertain that the data does not contain a variable with an order of integration that exceeds I(1).

#### 3.3.2 The ARDL Model

Where all variables are as earlier defined. In the ARDL form the models for this study may be specified such that model 3 presents the analysis of the effect of globalization and human capital development on sustainable economic growth.

$$\Delta SUST_t = \alpha_0 + \beta_{11} GLOB_{t-1} + \beta_{21} HCD_{t-1} + \beta_{31} FDI_{t-1} + \beta_{41} GEXP_{t-1} + \beta_{51} CPS_{t-1} + \sum_{i=1}^{p} \gamma_{1i}\, \Delta \mathrm{GLOB}_{t-1} + \sum_{i-0}^{p} \gamma_{2i}\, \Delta HCD_{t-1} + \sum_{i-0}^{p} \gamma_{3i}\, FDI_{t-1} + \sum_{i-0}^{p} \gamma_{4i}\, \Delta GEXP_{t-1} + \sum_{i-0}^{p} \gamma_{5i}\, \Delta CPS_{t-1} + \varepsilon_{1t} \quad (Model\ 5)$$

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The ARDL model 4 is designed to analyze the interacted effect of globalization and human capital development on sustainable economic growth.

$$\Delta SUST_t = \alpha_0 + \beta_{11} GLOB_{t-1} + \beta_{21} HCD_{t-1} + \beta_{31} GLOB * HCD_{t-1} + \beta_{41} FDI_{t-1} + \beta_{51} GEXP_{t-1} + \beta_{61} CPS_{t-1} + \sum_{i=1}^{p} \gamma_{1i}\, \Delta \mathrm{GLOB}_{t-1} + \sum_{i-0}^{p} \gamma_{2i}\, \Delta HCD_{t-1} + \sum_{i-0}^{p} \gamma_{3i}\, \Delta GLOB * HCD_{t-1} + \sum_{i-0}^{p} \gamma_{4i}\, FDI_{t-1} + \sum_{i-0}^{p} \gamma_{5i}\, \Delta GEXP_{t-1} + \sum_{i-0}^{p} \gamma_{6i}\, \Delta CPS_{t-1} + \varepsilon_{1t} \quad - \quad - \quad (Model\ 6)$$

Where Δ is the difference operator and $\alpha_0$ represent the drift component. The coefficients $(\beta_{11} - \beta_{51})$ shows the long-run relationship. Also, the part of the model with the summation sign $(\gamma_{1i} - \gamma_{5i}$ presents the short-run dynamics of the model. The part of the model with $\varepsilon_{1t}$ comprises the serially uncorrelated disturbance term with zero mean and constant variance.

The ARDL approach adopts a bound testing procedure to confirm the existence of a long-run cointegrating equilibrium relationship among the variables as developed by Pesaran et al. (2001). The test is configured to rely on the F-statistic value in a Wald test utilizing a non-standard distribution. For a decision to be based on the test outcome, a null hypothesis of no cointegration among the study variables $(\gamma_{1i} = \gamma_{2i} = \gamma_{3i} = \gamma_{4i} = \gamma_{5i} = 0)$ is accepted, if the value of the F-statistic is less than the bound critical value depending on the chosen level of significance. On the other hand, the null hypothesis of no cointegration is rejected if the value of the calculated F-statistic is greater than the bound critical value based on the desired level of significance. When the null hypothesis is rejected, there is a conclusion that a long-run cointegrating equilibrium relationship exists among the variables. However, when the value of the computed F-statistic falls within the lower and upper bounds of the critical table value, the decision on whether the variables have a long-run cointegrating relationship becomes inconclusive. When the value of the F-statistic is less than the critical value and variables have no long-run cointegrating relationship, the investigation ends with the ARDL test for short-run analysis, which involves the execution of an error correction model (ECM).

### 3.4. Estimation Procedure

The estimation procedure for this study involves a five-step procedure. The first step is the unit root test, which entails the estimation of the order of integration using the ADF - Fisher Chi-square statistic. The second step is the ARDL bound cointegration test. The third step entails the impact analysis using the regression procedure of the ARDL approach to establish the short-run and long-run relationship among the study variables. The final step involves the model diagnostics tests to determine the reliability of the model based on the tests for serial correlation, heteroscedasticity, normality and stability.

## 4.0 Results and Discussion

### 4.1 Descriptive Statistics

Table 2 shows the descriptive statistics results of the effect of globalization and human capital development on sustainable economic growth in Nigeria. The values of the mean and median shed light on the data's core trend. In this case, the skewness value of 0.3861 is consistent with a slight right skew, as indicated by the mean SUST of 29.12632, which is slightly higher than the median of 26.7564. Comparably, the mean of GLOB is 35.7926, which is somewhat higher than the median of 35.2583, suggesting that outliers have the effect of globalization on the average. The median of 8.471 in HCD, on the other hand, is higher than the mean of 8.2533, indicating a left skew (lower values). The range between the maximum and least values gives the variability's context. Sustainable economic growth (SUST) exhibits significant swings, ranging from a minimum of 14.1687 to a maximum of 53.12219. The dataset's normality hypothesis is evaluated using the Jarque-Bera statistic. The probability of SUST, GLOB, HCD, CPS, and GEXP are show more significant variables, indicating that the data set is normal, with a probability greater than 0.05. Only Foreign Direct Investment(FDI) has a Jarque-Bera probability value of less than 0.05. Therefore, we cannot reject the null hypothesis of normality (probabilities above 0.05) for the data set of this study.

**Table 2: Descriptive Statistics**

| | SUST | GLOB | HCD | FDI | CPS | GEXP |
|---|---|---|---|---|---|---|
| Mean | 29.1263 | 35.7925 | 8.2533 | 1.6555 | 10.2310 | 4.4046 |
| Median | 26.7564 | 35.2583 | 8.4710 | 1.4871 | 9.3952 | 4.6661 |
| Maximum | 53.1222 | 53.2779 | 10.5140 | 5.7908 | 19.6256 | 9.448 |
| Minimum | 14.1687 | 16.3522 | 5.6910 | -0.0391 | 4.9575 | 0.9112 |
| Std. Dev. | 11.8299 | 9.28612 | 1.3769 | 1.2835 | 3.6062 | 2.9810 |
| Skewness | 0.3861 | -0.0772 | -0.2028 | 1.5633 | 0.7085 | 0.3037 |
| Kurtosis | 2.0608 | 2.4501 | 2.1642 | 5.4279 | 3.1225 | 1.6671 |
| Jarque-Bera | 2.0943 | 0.4621 | 1.2225 | 22.2006 | 2.8660 | 3.0396 |
| Probability | 0.3509 | 0.7937 | 0.5427 | 0.0001 | 0.2386 | 0.2188 |
| Observations | 34 | 34 | 34 | 34 | 34 | 34 |

***Source:*** *Author`s Computation (2024)*

### 4.2 Correlation Matrix of Regressors

Table 3 shows the correlation Matrix results of the interaction between the dependent variable and independent variables. There is an inverse negative relationship (-0.7331) between SUST and HCD. This shows an inverse relationship between sustainable economic growth and Human Capital development. Human capital development is insignificant to sustainable economic growth, meaning that human capital development cannot determine the sustainability of the economy. However, SUST and GLOB show a

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positive correlation, which is significant (0.037521). This implies that globalization has a positive association with sustainable economic growth. The higher the level of globalization, the more sustainable the economy will be. Globalization has a negative relationship with Human Capital development with a correlation of -0.35961, which is insignificant as the probability value is more excellent than 5%. This could suggest that globalization does not create an atmosphere for the development of Human Capital, meaning that the increase in globalization has a negative correlation to Human Capital Development. Another essential thing to consider is that there is a negative relationship between Government expenditure, credit to the private sector and Sustainable economic growth with -0.76368 and -0.71209 coefficients, respectively.

**Table 3: Correlation Matrix**

| | SUST | GLOB | HCD | FDI | GEXP | CPS |
|---|---|---|---|---|---|---|
| SUST | 1 | 0.0375 | -0.7331 | 0.3114 | -0.7637 | -0.7121 |
| GLOB | | 1 | -0.3596 | 0.0879 | -0.1643 | -0.2405 |
| HCD | | | 1 | -0.5216 | 0.6326 | 0.6528 |
| FDI | | | | 1 | -0.1429 | -0.1714 |
| GEXP | | | | | 1 | 0.8096 |
| CPS | | | | | 0.8096 | 1 |

***Source:*** *Author`s Computation (2024)*

## 4.3 Analysis of Unit Root Test

The unit root test was performed to ascertain the stationarity of the time series data under study to avoid running a spurious regression. Augmented Dickey-Fuller (ADF).

**Table 4: Augmented Dickey Fuller Unit Root Test Results**

| | **LEVEL** | | | **FIRST DIFFERENCE** | | | |
|---|---|---|---|---|---|---|---|
| **Variables** | **T-Stat** | **Critical Values 5%** | **P-Values** | **T-Stat** | **Critical Values 5%** | **P-Values** | **Order of Integration** |
| **SUST** | 2.2909 | 2.9571 | 0.1808 | 3.7949 | 2.9571 | 0.0070 | I(1) |
| **GLOB** | 2.8765 | 2.9540 | 0.0590 | 5.7073 | 2.9604 | 0.0000 | I(1) |
| **HCD** | 1.0558 | 2.9571 | 0.0082 | 3.7331 | 2.9571 | 0.0082 | I(1) |
| **FDI** | 3.9926 | 3.5577 | 0.0193 | --------- | ---------- | ---------- | I(0) |
| **GEXP** | 1.5180 | 2.9540 | 0.5122 | 6.7312 | 2.9571 | 0.0000 | I(1) |
| **CPS** | 2.5148 | 2.9571 | 0.1215 | 5.3306 | 2.9639 | 0.0001 | I(1) |

***Source:*** *Author`s Computation (2024)*

Note: * indicates signifies at 5 percent; 95% critical values are reported in parentheses below each test value.

The findings of the Augmented Dickey Fuller unit root test, with a t-statistic of 3.7949, show that the SUST is stationary at first difference because the t-statistic is higher than the 5% threshold values, and the probability value is less than 5%, or 0.0070. GLOB is not stationary at the level since the t-statistics is less than the critical values, and the probability values are more significant than 0.05. However, it is stationary at first difference because the t-statistic of 5.7073 is greater than the critical value at 5% of 2.9604 with 0.000 as the probability value. HCD is stationary at first difference because the t-statistic of 3.7331 is more than the 5% critical value of 2.9571 with the probability value of 0.0082. However, it is not stationary at the level because the t-statistic is less than the 5% critical value. However, with a 0.0193 probability value, the FDI is stationary at the level since the t-statistics are more significant than the critical value of 5%, which is 3.9926 and 3.5577, respectively.
Additionally, GEXP is not stationary at the level since the t-statistics is less than the critical value of 2.9571 with a P-value of 0.5122. However, it is stationary at first because the t-statistics of 6.7312 is greater than the critical value of 2.9571 with probability values of 0.000. Because the t-statistic of 2.5148 is less than the critical values of 2.9571 and the P-value of 0.1215 is greater than the 5% probability values, CPS is not stationary at the level in the end. However, CPS is stationary at first because the t-statistic of 5.3306 is greater than the critical values of 2.9639 with the probability values of 0.0001.

As previously discussed, the unit roots examine the stationarity of the variables to show their level of integration. According to the results, some variables are stationary at the level of analysis, while others are stationary at the first difference. For this reason, ARDL will be employed as a method to examine Nigeria's sustainable economic growth, human capital development, and globalization.

## 4.4 Lag Order Selection

## Table 5: Lag Selection for the Model

VAR Lag Order Selection Criteria

Endogenous Variables: SUST GLOB HCD FDI GEXP CPS

Sample: 1989-2022

| Lag | LogL | LR | FPE | AIC | SC | HQ |
|---|---|---|---|---|---|---|
| 0 | -436.282 | NA | 99429.31 | 28.5343 | 28.8119 | 28.6248 |
| 1 | -302.299 | 207.4575 | 187.3735 | 22.2129 | 24.1557* | 22.8462 |
| 2 | -265.721 | 42.4778 | 239.5918 | 22.1756 | 25.7837 | 23.3517 |
| 3 | -184.781 | 62.6634* | 31.7146* | 19.2762* | 24.5496 | 20.9952* |

***Source:*** *Author`s Computation (2024)*

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The lag order selection process shows the procedure for choosing the lag that is most recommended by the various criteria (Table 5). The results of the lag selection tests for this study are presented in Table 5. The results show that the third lag is the most recommended based on the various statistical assessments (LR, FPE, AIC, and HQ). Therefore, this study adopts the third lag across multiple estimation processes.

### 4.5.1 ARDL Cointegration and Bound Test on the Effects of Globalization and Human Capital Development on Sustainable Economic Growth

Because the F-statistic for the equation is greater than the I(0) and I(1) bounds, the bound co-integration test result (Table 6) confirmed the existence of a long-run equilibrium relationship between the independent variables—Globalization, Human Capital Development, Foreign Direct Investment, Government Expenditure and Credit to private sector—and the dependent variable, Sustainable economic development. Table 5 also provides a summary of the F-statistic results and predicted boundaries. Sustainable economic growth, the dependent variable, and other independent variables appear to have a strong co-integration relationship, according to the data-driven F-statistic value of 5.136152. It surpasses the lower and upper bound critical values of 2.62 and 3.35, respectively, at the 5% significance level.

**Table 6: ARDL Cointegration and Bound Test**

| F-Bounds Test | | Null Hypothesis: No levels relationship | | |
|---|---|---|---|---|
| Test Statistic | Value | Signif. | I(0) | I(1) |
| F-statistic | 5.13615 | 10% | 2.26 | 3.35 |
| K | 5 | 5% | 2.62 | 3.79 |
| | | 2.50% | 2.96 | 4.18 |
| | | 1% | 3.41 | 4.68 |

***Source:*** *Author`s Computation (2024)*

### 4.5.2 ARDL Short run the Effects of Globalization and Human Capital Development on Sustainable Economic Growth

Table 7 shows the short-run ARDL effects of globalization and human capital development on sustainable economic growth in Nigeria. First, the effect of globalization on sustainable development is positive and significant at the current year, first and second year lags. Second, the effect of human capital development on sustainable development is also positive and statistically significant at current year and one-year lag. On the other hand, the effects of government expenditure and credit to private sectors are both negative and significant. Furthermore, the error correction term (ECT) is significant, negative, and less than one. Consequently, the rate of adjustment back to disequilibrium is 25.1% annually when sustainable economic growth is in disequilibrium.

**Table 7: ARDL Short-run Coefficients**

| ARDL Error Correction Regression | | | | |
|---|---|---|---|---|
| Dependent Variable: D(SUST) | | | | |
| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
| COINTEQ* | -0.2519 | 0.0376 | -6.6951 | 0.0000 |
| D(SUST(-1)) | 0.5160 | 0.1078 | 4.7867 | 0.0002 |
| D(GLOB) | 0.1329 | 0.0404 | 3.2916 | 0.0046 |
| D(GLOB(-1)) | 0.3631 | 0.0537 | 6.7593 | 0.0000 |
| D(GLOB(-2)) | 0.2078 | 0.0475 | 4.3740 | 0.0005 |
| D(HCD) | 12.2941 | 2.1919 | 5.6090 | 0.0000 |
| D(HCD(-1)) | 6.7278 | 1.9693 | 3.4164 | 0.0035 |
| D(HCD(-2)) | -3.0846 | 1.7051 | -1.8090 | 0.0893 |
| D(GEXP) | -0.7056 | 0.2384 | -2.9591 | 0.0092 |
| D(GEXP(-1)) | 0.0592 | 0.2846 | 0.2081 | 0.8378 |
| D(GEXP(-2)) | 0.9620 | 0.2799 | 3.4367 | 0.0034 |
| D(CPS) | -0.7830 | 0.2006 | -3.9042 | 0.0013 |
| D(CPS(-1)) | 1.2999 | 0.2468 | 5.2672 | 0.0001 |
| D(CPS(-2)) | 1.3452 | 0.2411 | 5.5797 | 0.0000 |
| C | 14.9958 | 2.5240 | 5.9413 | 0.0000 |
| R-squared | 0.8757 | Mean dependent var | | -0.4442 |
| Adjusted R-squared | 0.7669 | S.D. dependent var | | 3.0369 |
| S.E. of regression | 1.4662 | Akaike info criterion | | 3.9095 |
| F-statistic | 8.0508 | Durbin-Watson stat | | 2.8729 |
| Prob(F-statistic) | 0.0001 | | | |
| | **Diagnostics** | | | |
| Serial Correlation | F-Stat | 2.4118 | Prob. | 0.1354 |
| Heteroskedasticity | F-Stat | 0.3943 | Prob. | 0.9629 |

***Source:*** *Author`s Computation (2024)*

The model's Adjusted R-squared indicates that the independent variables explain 76.7% of the total variation in the sustainable economic growth. The value of the F-Statistic (8.05) with probability of (0.0001) confirms that the entire model is a good fit for the variable relationship. Also, the Durbin-Watson statistic (2.8694) and the Breusch-Godfrey Serial Correlation Test [with F-statistic (2.411807) and probability (0.1354)] indicate that the model is free from serial correlation. In addition, the Breusch-Pagan-Godfrey test [with F-statistic (0.394266) and probability (0.9629) shows that the model is free from heteroskedasticity.

### 4.5.3 ARDL Long run Effects of Globalization and Human Capital Development on Sustainable Economic Growth

The long-run ARDL results of the analysis evaluating Globalization, Human Capital Development and Sustainable Economic Growth in Nigeria are displayed in Table 7 above. The dependent variable is sustainable economic growth, whereas the independent or explanatory variables are globalization, human capital development, foreign direct

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investment, government expenditure and credit to the private sector correctly represented by the proxies GLOB, HCD, FDI, GEXP and CPS.

With corresponding probability values of 0.2406, 0.3131, and 0.8824, globalization, human capital development, and foreign direct investment are statistically insignificant over the long term, indicating that they do not adequately characterize the dependent variable. With corresponding coefficients of -0.09535 and -0.07521, GLOB and FDI, on the other hand, have a negative correlation with the dependent variable. On the other hand, human capital development exhibits positive correlations with a 0.9733 coefficient.

**Table 8: ARDL Long run Effects of Globalization and Human Capital Development on Sustainable Economic Growth**

**ARDL Long-run relationship**
**Dependent Variable: SUST**

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 14.99575 | 11.90219 | 1.25992 | 0.2338 |
| SUST(-1)* | -0.25192 | 0.09584 | -2.62841 | 0.0235 |
| GLOB(-1) | -0.09535 | 0.07687 | -1.24041 | 0.2406 |
| HCD(-1) | 0.97334 | 0.92065 | 1.057231 | 0.3131 |
| FDI** | -0.07521 | 0.4967 | -0.15142 | 0.8824 |
| GEXP(-1) | 1.35666 | 0.54298 | 2.49856 | 0.0296 |
| CPS(-1) | -2.06457 | 0.619616 | -3.33201 | 0.0067 |

***Source:*** *Author`s Computation (2024)*

SUST(-1) = 14.99575 - (-0.09535*GLOB(-1)) + (0.09733*HCD(-1)) – (0.07521*FDI) + (1.356659*GEXP (-1)) - (2.06457*CPS(-1))

However, probability values of 0.0296 and 0.0067, which represent the probability values for government and credit to the private sector, respectively, are statistically significant of the dependent variable, indicating a positive long-term association between GEXP and the dependent variable. Nonetheless, there is a negative correlation between sustainable economic growth and credit to the private sector, with a coefficient of -2.06457.

In conclusion, the dependent variable, sustainable economic growth, will be negatively impacted by a 1% increase in GLOB, FDI, and CPS, respectively, by -0.09535, -0.07521, and -2.06457. However, a 1% rise in government spending and human capital development will have a favourable impact on the dependent variable, the sustainable, increasing it by 1.3567 and 0.9734, respectively.

### 4.6.1 ARDL Cointegration and Bound Test on the interaction between Globalization and Human Capital Development on Sustainable Economic Growth

The results of the bound co-integration test verified that there is an equilibrium long-run relationship between the independent variables—globalization, human capital development, globalization*human capital development, government expenditure, and

credit to the private sector—and the dependent variable, sustainable economic growth, since the F-statistic for the equation is higher than the I(0) and I(1) bounds. An overview of the F-statistic results and approximated boundaries is also given in Table 9. The determined F-statistic value of 4.1528, which is based on the data, shows that the dependent variable, sustainable economic growth, and other independent factors have a clear co-integration connection. At the 5% significance level, it exceeds the upper and lower bound critical values of 3.61 and 2.45, respectively.

**Table 9: ARDL Cointegration and Bound Test on the interaction between Globalization and Human Capital Development on Sustainable Economic Growth**

| **F-Bounds Test** | | Null Hypothesis: No levels relationship | | |
|---|---|---|---|---|
| Test Statistic | Value | Signif. | I(0) | I(1) |
| F-statistic | 4.152831 | 10% | 2.12 | 3.23 |
| K | 6 | 5% | 2.45 | 3.61 |
| | | 2.50% | 2.75 | 3.99 |
| | | 1% | 3.15 | 4.43 |

***Source:*** *Author`s Computation (2024)*

### 4.6.2 ARDL Short run Analysis on the interaction between Globalization and Human Capital Development on Sustainable Economic Growth

Table 10 shows the short-run ARDL outcomes of the analysis assessing Nigeria's globalization, human capital development, and sustainable economic growth. Sustainable economic growth is the dependent variable, while globalization, human capital development, globalization*human capital development, foreign direct investment, government expenditure, and credit to the private sector—all of which are accurately represented by the proxies GLOB, HCD, GLOB*HCD, FDI, GEXPD, and CPS—are the independent or explanatory variables.

**Table 10: ARDL Short-run Analysis of the interacted Coefficient of Globalization and Human Capital Development on Sustainable Economic Growth.**

| ARDL Interaction of GLOB and HCD on SUST | | | | |
|---|---|---|---|---|
| Dependent Variable: D(SUST) | | | | |
| Variable | Coefficient | Std. Error | t-Statistic | Prob.* |
| SUST(-1) | 1.2814 | 0.1964 | 6.5257 | 0.0001 |
| SUST(-2) | -0.5607 | 0.2434 | -2.3034 | 0.0440 |
| HCD | 13.2656 | 3.9240 | 3.3806 | 0.0070 |
| HCD(-1) | -4.8690 | 3.7882 | -1.2853 | 0.2277 |
| HCD(-2) | -9.5383 | 4.0959 | -2.3287 | 0.0421 |
| HCD(-3) | 3.0684 | 3.6662 | 0.8369 | 0.4222 |
| GLOB | 0.4082 | 0.5298 | 0.7704 | 0.4589 |
| GLOB(-1) | 0.1360 | 0.0645 | 2.1089 | 0.0612 |
| GLOB(-2) | -0.1634 | 0.0716 | -2.2809 | 0.0457 |
| GLOB(-3) | -0.1963 | 0.0682 | -2.8771 | 0.0165 |
| GLOB*HCD | -0.0319 | 0.0606 | -0.5267 | 0.6099 |

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| | | | | |
|---|---|---|---|---|
| GEXP | -0.7355 | 0.3574 | -2.0578 | 0.0666 |
| GEXP(-1) | 2.1335 | 0.5003 | 4.2646 | 0.0017 |
| GEXP(-2) | 0.8734 | 0.4649 | 1.8787 | 0.0897 |
| FDI | 0.1233 | 0.6373 | 0.1935 | 0.8504 |
| CPS | -0.7770 | 0.3792 | -2.0488 | 0.0676 |
| CPS(-1) | -0.0091 | 0.3041 | -0.0299 | 0.9767 |
| CPS(-2) | 0.0519 | 0.3532 | 0.1469 | 0.8861 |
| C | 7.1586 | 19.3147 | 0.3706 | 0.7186 |
| R-squared | 0.9888 | Mean dependent var | | 26.9769 |
| Adjusted R-squared | 0.9663 | S.D. dependent var | | 9.9699 |
| S.E. of regression | 1.8294 | Akaike info criterion | | 4.2692 |
| F-statistic | 44.0529 | Durbin-Watson stat | | 2.8694 |
| Prob(F-statistic) | 0.0000 | | | |
| **Diagnostics** | | | | |
| Serial Correlation | F-Stat | 1.2084 | Prob. | 0.3886 |
| Heteroskedasticity | F-Stat | 0.3918 | Prob. | 0.9531 |

***Source:*** *Author`s Computation (2024)*

The short-term ARDL results of the analysis evaluating Nigeria's globalization, human capital development, and sustainable economic growth are displayed in Table 9 above. The short-run interaction of globalization and human capital development on sustainable economic growth show a negative relationship of -0.03191 as coefficient and it is statistically insignificant with 0.6099 probability value. This implies the interaction of globalization and human capital development that don't define the dependent variable in good way which is sustainable economic growth.

The model's Adjusted R-squared indicates that the independent variables explain 98.9% of the total variation in the sustainable economic growth. The value of the F-Statistic (44.053) with probability of (0.000) confirms that the entire model is a good fit for the variable relationship. Also, the Durbin-Watson statistic (2.8694) and the Breusch-Godfrey Serial Correlation Test [with F-statistic (1.2084) and probability (0.3886) indicate that the model is free from serial correlation. In addition, the Breusch-Pagan-Godfrey test [with F-statistic (0.3918) and probability (0.9531) shows that the model is free from heteroskedasticity.

### 4.6.3 ARDL Long run Analysis of the interacted Coefficient of Globalization and Human Capital Development on Sustainable Economic Growth.

The long-run ARDL results of the analysis evaluating globalization, human capital development and Sustainable Economic Growth in Nigeria are displayed in Table 11. The dependent variable is sustainable economic growth, whereas the independent or explanatory variables are globalization, human capital development, globalization*human capital development foreign direct investment, government

expenditure and credit to private sector correctly represented by the proxies GLOB, HCD, GLOB*HCD, FDI, GEXP and CPS.

**Table 11: ARDL Long run Analysis of the interacted Coefficient of Globalization and Human Capital Development on Sustainable Economic Growth**

**ARDL Long-run relationship**
**Dependent Variable: SUST**

| Variable * | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| GLOB(-1) | 0.6604 | 1.8292 | 0.3610 | 0.7211 |
| HCD(-1) | 6.8986 | 7.3133 | 0.9432 | 0.3546 |
| GLOB*HCD | -0.1142 | 0.1998 | -0.5718 | 0.5726 |
| FDI | 0.4415 | 2.2439 | 0.19677 | 0.8456 |
| GEXP(-1) | 4.6909 | 3.0527 | 1.5366 | 0.1369 |
| CPS(-1) | -7.4069 | 3.3040 | -2.2418 | 0.0341 |

Note: * Coefficients derived from the CEC regression.

***Source:*** *Author`s Computation (2024)*

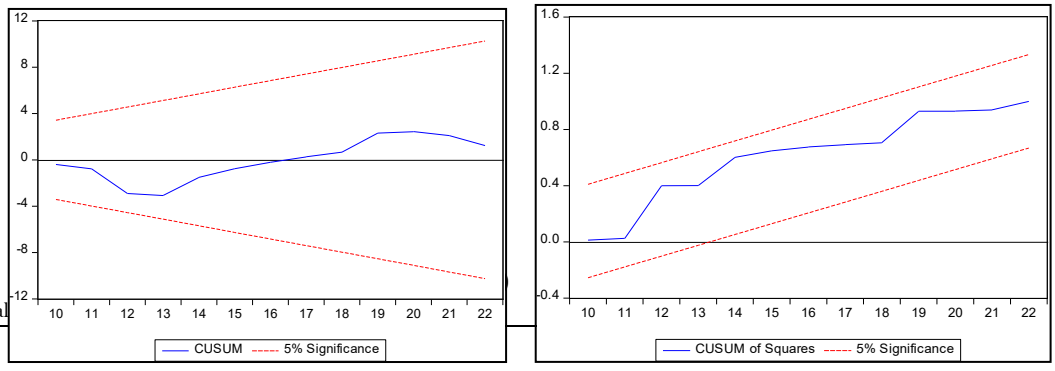
SUST = SUST(-1) - (0.660367*GLOB(-1)) + (6.898583*HCD(-1)) – (0.114239*GLOB*HCD) + (0.441539*FDI) + (4.690956*GEXP(-1)) – (7.4068 *CPS(-1))

In the long run, the interaction between globalization and human capital development on sustainable economic growth is still statistically insignificant for the dependent, according to the above results, because the probability value is 0.5801, which is higher than the 5% significant level. However, there is also a negative correlation between the development of human capital and globalization and sustainable economic growth. A t-statistic of 0.5718 indicates that a 1% rise in the interaction between globalization and human capital development will have an inverse and negative effect on the dependent variable, sustainable economic growth, resulting in -0.1142.

**CUSUM Stability Test and CUSUM Squared Test for Globalization and Human Capital Development on Sustainable Economic Growth.**

Figures 1 and 2 display the results of the CUSUM Stability Test and CUSUM squared test on the recursive estimates for Globalization and Human Capital Development on Sustainable Economic Growth. The test results show that the CUSUM stability tests and CUSUM squared tests confirm the stability of the models at 0.05 significance.

**Figure 1. CUSUM Stability Test and CUSUM Squared Test for Model 3**




Cal

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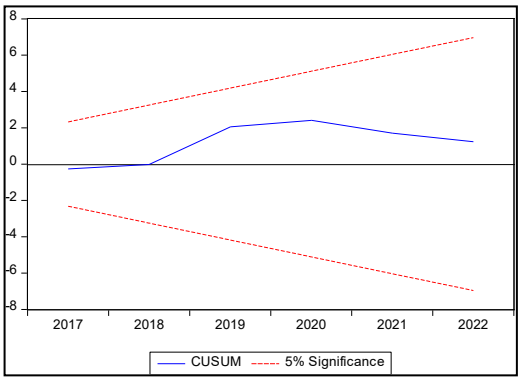
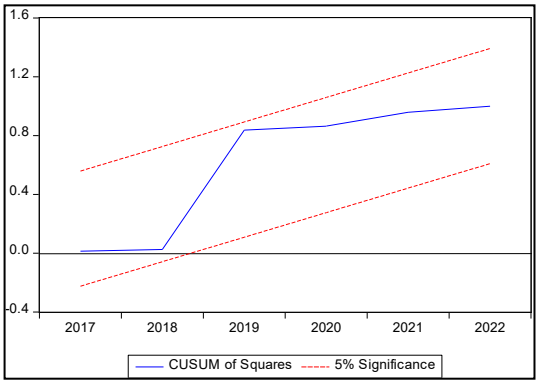
Source: Authors' Illustration based on the effects of Globalization and Human Capital Development on Sustainable Economic Growth

Figure 2. CUSUM Stability Test and CUSUM Squared Test for Model 4




Source: Authors' Illustration based on the effects of the interacted Coefficient of Globalization and Human Capital Development on Sustainable Economic Growth

### 4.7 Discussion of Findings

The aforementioned findings show that both globalization and human capital development have a short-term positive and significant impact on Nigeria's sustainable economic growth. There are some existing empirical studies that support the positive impact of human capital development on sustainable economic growth (Anyanwu et al., 2015; Olowookere et al., 2021; Awogbemi, 2023). The positive impact of human capital development on sustainable economic growth indicates that permitting foreign direct investment, limiting free commerce, and transferring technology acquisition in the country has benefitted the development of the country economy. The positive impact of human capital development on sustainable economic growth indicates that the level of education, healthcare, and skills acquisition in the country has benefitted the growth of the country's economy. Globalization and human capital development are both statistically inconsequential to sustainable economic growth over the long term, which means they have no effect on the dependent variable. There are some existing empirical studies that support the positive impact of globalization on sustainable economic growth (Oluwagbade & Ibidapo 2024; Jarigbe et al., 2024; Ajudua & Okonkwo, 2014). However, in the long term, human capital development has a good link with globalization, while the two have a negative association. In the near term, the other explanatory factors—government spending, credit to the private sector, and foreign direct investment—have a negative correlation and are statistically negligible with regard to sustainable economic growth.

## 5.0 Conclusion

This study examined the effect of globalization and human capital development on Nigeria's sustainable economic growth covering the period 1989 to 2022. The other control variables deployed in the study include foreign direct investment, government spending and credit to private sector. The ARDL approach was adopted for the analysis of the variables under study covering the period from 1987 to 2022. Based on the analysis conducted using the ARDL approach, the study arrived at some critical findings. The signs and magnitude of the coefficients from the analyses form the basis on which the study findings and conclusions are based.

## 5.1 Recommendations

Government spending and sustainable economic growth do, however, have a positive association, but it is not statistically significant over the long term. In contrast, credit to the private sector has a negative influence on sustainable economic growth over the long term. Both in the short and long run, the relationship between globalization and human capital development on sustainable economic growth is negative and statistically negligible.

These recommendations were made in light of the findings: First, improved access to a larger market is necessary for the effective and efficient contribution of globalization (trade openness) to sustainable economic growth. This access improves the nation's capacity to manufacture and export goods, thereby propelling economic growth, a crucial element of sustainable development. Increased sales and export earnings allow companies to make greater investments in production and innovation, which promotes economic growth. Additionally, efficiency and resource allocation ought to be improved. By ensuring that the economy can generate greater output with fewer inputs, efficient resource allocation promotes environmental sustainability (natural resource conservation) as well as economic sustainability (efficient use of economic resources). Second, the government should make sure that skill enhancement continues to improve by investing in education and training, improving health facilities, and raising the income level. Human capital development has demonstrated a positive contribution to sustainable economic growth. Thirdly, by supplying money, technology, skills, and job opportunities, foreign direct investment plays a critical role in fostering sustainable economic growth. Countries must guarantee a stable macroeconomic climate, transparent policies, robust infrastructure, political stability, and a trained labor force in order to facilitate FDI's beneficial contribution to sustainable economic growth. By doing this, FDI can support long-term growth that is sustainable from an environmental and economic standpoint. Spending by the government is also necessary to support sustainable economic growth; it should make sure that it increases the amount of money it spends on profitable projects that support sustainable economic growth. Fourth, the monetary authorities should guarantee that private business owners have unrestricted access to funds since credit to the private sector has a substantial impact on sustainable economic growth. Enhancements to financial institutions will also increase the influence

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of private sector credit on long-term economic growth. Expanding loan availability requires a robust and diverse financial sector.

To satisfy the various credit requirements of the private sector, the nation requires improved service delivery from a range of financial institutions, such as development banks, commercial banks, and microfinance organizations. It is necessary to establish support for startups and SMEs. To guarantee that credit flows to the private sector contribute to long-term growth, it is also essential to promote financial literacy, build capital markets, and put risk mitigation strategies into place.

Finally, through increasing productivity, encouraging innovation, encouraging inclusive growth, and boosting competitiveness, the interplay between globalization and human capital development can propel sustainable economic growth. However, in order for this interaction to be successful, nations must make investments in infrastructure, education, and good governance as well as implement policies that encourage equitable growth and innovation. To make sure that trade policies promote sustainable growth and that the workforce is suitably equipped to meet the demands of globalization, cooperation between the public and commercial sectors is crucial.

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