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Effect of Economic and Social Globalization on Pro-Poor Growth in Nigeria

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Abstract
The thrust of this study is the implication of economic and social globalization on pro-poor growth. The KOF indexes of de facto and de jure globalization was utilized for this study. Data on the variables were obtained from the National Bureau of Statistics (NBS) and World Bank WDI among others. The data analysis was conducted using ARDL model, bounds cointegration and unit root test in addition to descriptive statistics. The results showed that the variables are fractionally integrated as observed from the unit root test. This finding necessitated the application of bounds cointegration which showed evidence of long run relationship between poverty headcount and globalization indexes. The ARDL results revealed that economic globalization has a positive and significant effect on poverty headcount in the short run. This finding is synonymous with the long-run results, which showed evidence of a significant positive effect of economic globalization on poverty headcount. The implication of this finding is that the benefits of economic globalization in terms of trade in goods and services, trade regulations and agreements, FDI inflows, portfolio investments, foreign debt, and other forms of financial globalization have not trickled down to the poor. The results further showed that social globalization has a negative and significant effect on poverty headcount. However, there is evidence of positive and insignificant effects of political globalization on poverty headcount in both the long and short run. Given the findings, it is recommended that policymakers prioritize social globalization to trickle-down its intended and desired benefits of poverty reduction.

Keywords: Pro-poor Growth, Poverty Headcount, Economic Globalization, Social Globalization and Political Globalization

Introduction
Achieving pro-poor growth requires, among other things, ending poverty in all its forms in accordance with the Sustainable Development Goal 1 (SDG1). This also involves reducing the population below the international poverty line of $1.90 per day. According to the pro-globalists (Kılıçarslan and Dumrul, 2018; Kilic, 2015; Milanovic, 2005; Wade, 2001), increase globalization is a prerequisite for capital inflows which stimulate competition and efficiency in the domestic economy while providing more opportunities for pro-poor growth. For
instance, Kilic (2015) argues that globalization that enables integration is crucial for addressing the problem of trade barriers by reducing or removing tariffs. This facilitates the opportunity for capital inflows necessary for equitable income distribution and sustained economic growth. In addition, Klçarslan and Dumrul (2018) are of the view that the establishment of a global market where manufacturers can compete has the potential of deepening the economic effects of globalization. This is done by expanding the flow of capital and the advancement of communication and transportation, which creates opportunity for the payment competitive wages, and mitigate the prevalence of poverty.

In contrast to proponents of globalization, anti-globalists (Gourinchas and Obsfield, 2012; Stiglitz, 2003) believe the result of globalization is negative and has worsened the issue of poverty, especially in developing economies. Specifically, Stiglitz (2003) argues that the rise in income disparity within and across nations makes globalization harmful to economic development, particularly in low-income countries. Traditionally, the Washington Consensus’ policy advise provided a pathway for increased economic and social globalization in developing economies through gradual relaxation of the restrictions on movement of goods and services. This is expected to promote increase in national income, access to international capital, the transfer of technology, the development of energy and communication infrastructure, and improvement in labour quality and working conditions for poverty alleviation. Uzonwanne (2018) posits that globalization is crucial for more frequent interactions between the people, businesses, and governments of other countries. This is expected to encourage a borderless world with greater economic integration, raising the standard of living for people all over the world.

Nigeria, like other developing nations, adopted the Structural Adjustment Programme (SAP) in 1986 in accordance with the Washington Consensus’s recommendations for national policy. Through trade liberalization and a market-based exchange rate policy, this aims to diversify the economy's productive base, lessen reliance on oil, achieve fiscal and balance payment viability, and advance Nigeria's economic integration with the rest of the world. However, over time, there has been debate regarding the extent the globalization of the Nigerian economy has contributed to the effort to reduce poverty in the wake of the SAP. While some previous studies (Uzonwanne, 2018; Baek and Shi, 2016; Harrison and McMillan, 2007) highlighted the ineffectiveness of globalization in reducing poverty, other studies (Nwadike et al., 2020; Blowfield, 2007) showed evidence of the growth-enhancing implication of globalization for poverty reduction. This study expanded knowledge of the effects of economic and social globalization on pro-poor growth in Nigeria in light of this context.

Review of Related Literature

Theoretical literature

The world system theory, put forth by Wallerstein (1974) is predicated on the assumption that there exists a multicultural geographical division of labour wherein the production and exchange of essential goods and raw materials are essential for ensuring the welfare of the populace. The theory also assumes that there is a global economy to which all nations are a part. As a result, there is interdependence between nations, and the level of growth of one nation depends on its place in the world economy. The degree of a country’s integration into the world economy frequently reflects its place in that environment. Irogbe (2010) argues that the location of peripheral nations in the global division of labour is the root of their poverty and social backwardness and that these linkages of interdependence between nations transcend national boundaries. He added that globalization enables the centre to
financially and technologically infiltrate the nations that are on the periphery and semi-periphery. The Heckscher-Ohlin (HO) model shed some light on how globalization affects the results of distributional markets. The Heckscher-Ohlin model's central tenet is that nations should specialize in the production of products and services where they have an abundance of production components for output targeted toward both domestic consumption and the global market. However, these nations should import the products and services for which they lack sufficient production resources. Essentially, the Heckscher-Ohlin model is predicated on the existence of two countries, two products, and a two-factor input (2x2x2). Many proponents of trade liberalization consider it to be a turning point in the theory of globalization, especially international trade because it showed how comparative advantage might be related to broad traits of a country's factor endowment, particularly labor and capital. In spite of its important contributions to the existing literature, the Heckscher-Ohlin model has been criticized for adopting certain implausible assumptions, including the absence of qualitative disparity in factor inputs, the existence of a homogenous production function, and the constant return to scale, among others.

Stylized Facts on Poverty Headcount and Globalization Indexes

The stylized facts on poverty headcount and globalization indexes are presented in Figure 1 and 2.

![Figure 1: Trajectory of poverty headcount in Nigeria (1986-2020)](image)

Source: Author’s illustration (2022) with data from the National Bureau of Statistics

The headcount ratio, which measures the incidence of poverty in Nigeria, showed variation over the course of the study, as shown in figure 1. It was observed that poverty headcount increased from 44 percent in 1986 to 72 percent in 2002. In 2003 and 2009, the poverty headcount rose to record highs of 78.6 and 76.46 percent, respectively. These indicate that more Nigerians may have been poor in 2003 and 2009 than they were in 1986. Throughout the remaining study period, the poverty ratio changed even more. The question that arises when considering this intolerably high rate of poverty is why Nigeria continues to experience
such a high rate of poverty despite numerous policy initiatives. Macroeconomic factors like the exchange rate, price volatility, interest rate, and the exclusion of some groups from the growth process are among the main causes of poverty in Nigeria. The high prevalence of poverty is a reflection that a sizable section of the population is living on less than US$1.9 per day, the World Bank's official international poverty level. This seems to jeopardise the economy's ability to grow quickly and steadily.

![Figure 2: Trajectory of economic, social and political globalization indexes for Nigeria (1986-2020)](image)

Source: Author’s illustration (2022) with data from the (World Bank WDI, 2021; Chinn, Ito, 2006, 2008; Lane and Milesi-Ferretti, 2018; Freedom House, 2021b)

The graph shows that economic globalization is on the rise. Economic globalization fluctuated over the course of the investigation, increasing from 23 in 1986 to 61 in 2020. It was evident that the trend of social globalization shows an upward trending series. Between 1986 and 2001, social globalization dropped from 19.8 to 15.7. Following that, social globalization increased to 27.1 in 2010 and then fluctuated between 2013 and 2020. Social globalization reached its highest level between these periods, reaching 25.6 in 2014 and 27.2 in 2018, before declining to 21.5 in 2016 and 24.0 in 2019. The index of political globalization surpassed economic and social globalization during the study period as it increased from 63 in 1986 to 84 in 2000. It, however, maintained a steady increase during the rest of the period. This could be attributed the continuous democratization process and integration of the Nigerian political system to the rest of the world.

**Empirical Literature**

Utilizing the globalization index and its components (economic, social, and political globalization indices), Kılıçarslan & Dumrul (2018) explored the effects of globalization on economic growth in Turkey from 1980 to 2015. By distinguishing between "de facto" and "de jure," the analysis was carried out again for these sub-indices. The Full Modified Ordinary Least Squares cointegration test result demonstrated that economic globalization has a
negative and statistically insignificant impact on economic growth when KOF de facto and KOF de jure are separated. In addition, de facto social globalization was found to be positively linked to economic growth, contrary to the KOF de jure globalization index's findings. Overall, for all KOF globalization indices considered in the analysis, political globalization has a negative impact on economic growth.

Using the Feasible Generalized Least Square (FGLS) method, Anetor et al (2020) examined the effects of FDI, trade, and foreign aid on reducing poverty in a single model. The findings indicated that FDI and foreign aid have a detrimental impact on reducing poverty in the nations under study. These findings imply that foreign aid has not been adequately directed and that the amount of FDI necessary to reduce poverty has not been attained. However, the findings demonstrate that trade, particularly in low-income nations, has a beneficial and considerable impact on the decrease of poverty. To achieve this, the research advised policymakers in SSA to plan and implement measures that will promote sizable inflows of foreign direct investment.

Nguea et al (2020) explored how FDI affected Cameroon's efforts to reduce poverty between 1984 and 2014. Data from Freedom House and World Development Indicators were analyzed using an Autoregressive Distributed Lags (ARDL) bounds test approach to co-integration. The use of three poverty reduction proxies—life expectancy, per capita household consumption, and infant mortality rate—allows for the capture of the multidimensional aspects of poverty and improves the reliability of the findings. One out of three poverty reduction proxies, where a short-term beneficial impact of FDI on poverty reduction is established, supported the conclusion that the impact of FDI to alleviate poverty is less significant in Cameroon. The study, therefore, concluded that FDI may be used by Cameroon as a temporary poverty solution.

Using panel data, Majidi (2017) examined how the various aspects of globalization affected economic growth in 100 developing nations. The time frame for the study is 1970–2014, and the globalization index employed is the KOF indexes. The findings indicate that political globalization has a negative and considerable influence on economic growth in upper middle income nations. Additionally, there has been no discernible impact of economic or social globalization on economic growth. Additionally, political globalization has a positive and statistically significant impact on economic growth in low- and middle-income developing nations, whereas economic and social globalization components do not. The study, therefore, concludes that globalization is imperative for economic growth.

Uzonwanne (2018) examined the effects of economic globalization on African nations, with a focus on Nigeria. The study attempted to respond to the central question driving globalization: Has it actually resulted in more poverty rather than less in Africa? The underlying idea of globalization takes into account the increasing interconnectedness of human endeavours, the necessity of local, national, and regional economic integration and interdependence, as well as collectively addressing global issues. In order to expand on the study's scope, the work was built on dependency theory. The study's data was obtained from a secondary source. The data were analyzed using descriptive and inferential statistics. The Chi-square and F-distribution analysis revealed that economic globalization has exacerbated poverty rather than decreased it. The study comes to the conclusion that although globalization may have been presented as having a pragmatic philosophy, it is still unclear what pragmatic techniques will be used to implement the concept.

Kang-Kook (2014) examined how globalization affects income inequality and poverty, including the effects of global trade and financial integration. In order to understand how
globalization affects income inequality and poverty, the study evaluated a significant number of recent theoretical and empirical investigations. It focuses on the intricate relationship between globalization, growth, income inequality, and poverty. The findings showed that financial globalization promoted income inequality and poverty generally, while trade openness and inequality and poverty only have a conditional relationship. The study suggested for enhanced government efforts to manage globalization properly and to create favorable conditions in order to minimize its negative consequences in light of the findings.

Bergh & Nilsson (2011) investigate the connection between economic and social globalization and absolute income poverty using panel data spanning more than 100 nations from 1988 to 2007. The analysis made use of the poverty estimates from the World Bank and Dreher's (2006) globalization index. The study found evidence of a strong negative relationship between globalization and poverty using a fixed-effect panel based on five-year averages and long run first difference regression. According to the findings, absolute poverty and more lenient trade prohibitions are strongly negatively associated. In the long run, growth does reduce poverty, but this effect only accounts for a small portion of how globalization reduces poverty. The study concludes that greater economic globalization and closer economic integration are two ways to reduce poverty.

Data Description and Methodology

Data Description

This study relied on annual time series data spanning 1986 to 2020 for the empirical estimations. Essentially, the data on poverty was restricted to income poverty measured by the headcount index as the proportion of the total population living below the international poverty line of US$1.9 per day. In addition, economic globalization used for this study comprised de facto and de jure measures of economic globalization which are consistent with the KOF index of globalization. Similarly, de facto and de jure indexes were followed in measuring social and political globalization. The choice of the variable measures was considered based on the consistencies and availability of key variables.

Model Specification

This study is followed the work Kılıçarslan and Dumrul (2018) with some modification following the focus on the pro-poor growth and restriction of the content to the Nigerian economy. The formal specification of the functional model is provided as:

\[
POVER = f(ECOG, SOCG, POLG) \quad (1)
\]

The autoregressive distributed lag (ARDL) model for this study is provided below:

\[
POVER_t = a_1 + \sum_{i=1}^{5} \alpha_i \Delta POVER_{t-i} + \sum_{i=1}^{4} \alpha_2 \Delta ECOG_{t-i} + \sum_{i=1}^{4} \alpha_3 \Delta SOCG_{t-i} + \sum_{i=1}^{4} \alpha_4 \Delta POLG_{t-i} + \theta_1 POVER_{t-1} + \theta_2 ECOG_{t-1} + \theta_3 SOCG_{t-1} + \theta_4 POLG_{t-1} + \epsilon_{it} \quad (2)
\]

Where: \( POVER = \) poverty headcount, \( ECOG = \) economic globalization, \( SOCG = \) social globalization, \( POLG = \) political globalization.

\( a_1 \) constant parameter

\( \alpha_i - \alpha_5 = \) short-run coefficient of the predictor variables

\( \theta_1 - \theta_4 = \) the long-run multipliers.

\( \epsilon_{it} = \) error terms
Estimation Techniques
The ARDL model developed by Pesaran & Shin (1999) was utilized as the method for the data analysis. The appeal for this estimation was based on the evidence of fractional integration of the series as observed from the unit root test results. In addition to the ARDL estimation method, the Philips and Perron (1988) unit root test method was employed to determine if the variables are stationary or not. The bounds co-integration test bound was applied to determine if long run relationship exists among the variables for investigation. The test specifically employed the F-statistic for establishing long run relationship. The Descriptive statistics of mean distribution, standard deviation and Jarque-Bera statistics were applied to examine the distribution of the variables over the study period.

Results and Discussion
Descriptive Statistics
The descriptive statistics for each of the variables are presented in Table 1.

Table 1
Summary of descriptive statistics

<table>
<thead>
<tr>
<th></th>
<th>POVER</th>
<th>ECOG</th>
<th>SOCG</th>
<th>POLG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>60.94343</td>
<td>49.33343</td>
<td>20.44171</td>
<td>81.11429</td>
</tr>
<tr>
<td>Median</td>
<td>61.69000</td>
<td>50.84000</td>
<td>19.63000</td>
<td>83.00000</td>
</tr>
<tr>
<td>Maximum</td>
<td>78.60000</td>
<td>63.84000</td>
<td>27.16000</td>
<td>85.00000</td>
</tr>
<tr>
<td>Minimum</td>
<td>42.50000</td>
<td>23.45000</td>
<td>15.73000</td>
<td>63.00000</td>
</tr>
<tr>
<td>Std. Dev.</td>
<td>10.14995</td>
<td>9.991224</td>
<td>3.147184</td>
<td>4.915590</td>
</tr>
<tr>
<td>Jarque-Bera</td>
<td>2.190231</td>
<td>2.527119</td>
<td>2.152221</td>
<td>115.6553</td>
</tr>
<tr>
<td>Probability</td>
<td>0.334501</td>
<td>0.282646</td>
<td>0.340919</td>
<td>0.000000</td>
</tr>
<tr>
<td>Observations</td>
<td>35</td>
<td>35</td>
<td>35</td>
<td>35</td>
</tr>
</tbody>
</table>

Source: Author’s computation (2022)

The descriptive statistics showed that poverty headcount averaged 60.943 percent during the study period. This suggests that majority of the population live below the international poverty line of $1.9 per day. The results further showed that economic and social globalization averaged 49.3334 and 20.442. In addition, it was observed from the mean distribution that political globalization has a mean value of 81.114. In sum, the average distributions of the globalization indexes (economic, social and political) revealed that Nigeria is more politically globalized, given its associated mean value. More so, the results revealed that the observations for all the variables converged around their respective mean values given that the computed standard deviation is greater than the corresponding mean values. The results further showed that all the variables with the exception of political globalization are normally distributed at 5 percent significant level. It, therefore, followed from the results that majority of the variables meet the criteria for normally at the conventional significance level.
Unit Root Test
The unit root test was conducted using the method proposed by Phillips and Perron (1988). The results are presented in Table 2.

Table 2
Phillips-Perron unit root test results

<table>
<thead>
<tr>
<th>Variable</th>
<th>Results at levels</th>
<th>Results at 1st difference</th>
<th>Order of integration</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Adj. t-Stat</td>
<td>Critical value</td>
<td>Adj. t-Stat</td>
</tr>
<tr>
<td>POVER</td>
<td>-2.181</td>
<td>-3.55</td>
<td>-7.904</td>
</tr>
<tr>
<td>ECOG</td>
<td>-3.787</td>
<td>-3.55</td>
<td>-3.55</td>
</tr>
<tr>
<td>SOCG</td>
<td>-2.544</td>
<td>-3.55</td>
<td>-6.092</td>
</tr>
<tr>
<td>POLG</td>
<td>-4.8755</td>
<td>-3.55</td>
<td>-3.55</td>
</tr>
</tbody>
</table>

Source: Author’s computation (2022)

The results of the unit root test showed that economic and political globalization are stationary at their levels, while poverty headcount and social globalization are not. This finding necessitated the rejection of the null hypothesis of unit root in these two variables. Because there is evidence of a stationary process in these two variables (economic and political globalization), they all integrate to order zero, I(0). However, the first difference test results showed that poverty headcount and social globalization are integrated into order one, I(1). In sum, the unit root test results showed that the variables are mixed-integrated. This finding provided the required empirical results for the application of the bounds cointegration test.

Bounds Cointegration Test
With the evidence of mixed integration in the variables from the unit root results, bounds cointegration method was followed in this study. The results are presented in Table 3.

Table 3
Summary of bounds cointegration test results

<table>
<thead>
<tr>
<th>F-Bounds Test</th>
<th>Null Hypothesis: No levels relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Test Statistic</td>
<td>Value</td>
</tr>
<tr>
<td>F-statistic</td>
<td>3.68</td>
</tr>
<tr>
<td>k</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>2.5%</td>
</tr>
<tr>
<td></td>
<td>1%</td>
</tr>
</tbody>
</table>

Source: Author’s computation (2022)

The results of the bound cointegration test showed that the F-statistic (3.68) is greater than the upper bound critical value (3.67) at the 5 percent significance level. This finding necessitated the rejection of the null hypothesis of no long-run relationship among the variables. The evidence of cointegration among the variables is interesting as it necessitates the estimation of the ARDL model. It further suggests that the linear combinations of the non-stationary series can lead to a long-run equilibrium position.
Model Estimation
Given that the variables are mixed integrated and have long run relationship at 5 percent significance level, the ARDL model was estimated. The results are presented in Table 4.

Table 4
Summary of the ARDL results

<table>
<thead>
<tr>
<th>Dependent Variable: POVER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cointegrating Form</td>
</tr>
<tr>
<td>Variable</td>
</tr>
<tr>
<td>D(ECOG)</td>
</tr>
<tr>
<td>D(SOCG)</td>
</tr>
<tr>
<td>D(POLG)</td>
</tr>
<tr>
<td>CointEq(-1)</td>
</tr>
</tbody>
</table>

Long Run Coefficients

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
| ECOG | 0.921600 | 0.291106 | 3.165853 | 0.0036 |
| SOCG | -1.801784 | 0.693596 | -2.597742 | 0.0146 |
| POLG | 0.385192 | 0.608396 | 0.633127 | 0.5316 |
| C | 21.094977 | 43.812398 | 0.481484 | 0.6338 |
| Adjusted R-squared | 0.658465 | Prob.(F-statistic) | 0.0000 |

Source: Author’s computation (2022)

The results showed that economic globalization has a positive and significant effect on poverty headcount in the short run. This finding is synonymous with the long-run results, which showed evidence of a significant positive effect of economic globalization on poverty headcount. The significant positive contribution of economic globalization to poverty incidence is consistent with the findings of Uzonwanne (2018); Kang-Kook (2014), which revealed that economic globalization has exacerbated poverty rather than decreased it. However, this finding does not conform to the work of Bergh & Nilsson (2011), which found evidence of a strong negative relationship between economic globalization and poverty. The implication of this finding is that the benefits of economic globalization in terms of trade in goods and services, trade regulations and agreements, FDI inflows, portfolio investments, foreign debt, and other forms of financial globalization have not trickled down to the poor.

The results further showed that social globalization has a negative and significant effect on poverty headcount. This finding indicates that social globalization in terms of interpersonal relationships, information access, and other indexes of de facto and de jure social globalization played a significant role in reducing poverty incidence during the study period. In comparison, the significant negative effect of social globalization on poverty is interesting as it corroborates with the findings of Klçarslan & Dumrul (2018), which highlighted that de facto social globalization was found to be positively related to economic growth and, in so doing, provides opportunity for poverty reduction. However, there is evidence of positive and insignificant effects of political globalization on poverty headcount in both the long and short run. This finding indicates that an increase in political globalization in terms of de facto and de jure political globalization does not significantly exacerbate the incidence of poverty in Nigeria. According to the adjusted R-squared (0.6584), the explanatory variables explained 65.84 percent of the total variations in poverty over the study period. The error correction coefficient (-0.556853) demonstrated that the model can adjust from the short run
equilibrium position to the long run equilibrium position at a rate of 55.68 percent. This finding further authenticated the evidence of a long-term relationship between the globalization indexes and poverty incidence during the study period.

Table 5
Post-estimation test results for ARDL model

<table>
<thead>
<tr>
<th>Test Type</th>
<th>Null Hypothesis</th>
<th>Test Stat.</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Normality Test</td>
<td>Normally Distributed Residuals</td>
<td>2.694</td>
<td>0.2600</td>
</tr>
<tr>
<td>Breusch-Godfrey LM Test serial correlation Test</td>
<td>Serial Correlation does not exist</td>
<td>1.6369</td>
<td>0.4411</td>
</tr>
<tr>
<td>Heteroscedasticity test</td>
<td>Homoscedasticity exist</td>
<td>2.0763</td>
<td>0.1496</td>
</tr>
</tbody>
</table>

Source: Author’s computation

The post-estimation test results, which focused mainly on the residual diagnostics, showed no evidence of serial correlation in the model. This finding provided the basis for accepting the null hypothesis of no serial correlation in the model. The results further revealed that the residuals have constant variance, thereby validating the reliability of the estimated model. The results showed that the residuals are normally distributed at 5 percent significance level. In sum, the post-estimation test results provide appreciable empirical evidence for the reliability of the estimated ARDL model for forecast and policy purposes.

Conclusion and Recommendations
Understanding the development implications of economic and social globalization has taken centre stage in macroeconomic discourse and growing debates in development literature. In this light, this study examined the contributions of economic and social globalization to pro-poor growth in Nigeria. This is intended to deepen our understanding of the effectiveness of economic and social globalization in mitigating the incidence of poverty in Nigeria. The findings showed that economic globalization positively affected the poverty headcount in Nigeria. This suggests that the increase in economic globalization has not translated into poverty in Nigeria. The results further revealed that social globalization was significant in reducing poverty during the study period. This finding highlights that de facto and de jure social globalization create opportunities for mitigating poverty incidence. However, the results show that political globalization does not significantly contribute to poverty reduction. Given the findings, it is concluded that social globalization is an important enabler of pro-poor growth by significantly reducing the incidence of poverty during the study period. Thus, it is recommended that policymakers prioritize social globalization to trickle-down its intended and desired benefits of poverty reduction. It is important for the government to ensure that economic globalization is in accordance with comparative advantage to enhance its potential in promoting pro-poor growth in Nigeria.
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