

THE LINKAGES BETWEEN TRADE OPENNESS, FINANCIAL OPENNESS AND ECONOMIC GROWTH IN NIGERIA

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Abstract

This study examined the nexus between economic growth and economic openness in Nigeria. Financial openness and trade openness were used to measure the extent to which Nigerian economy is open international competitiveness that could pave way for the actualisation of development agenda. The study used time series data covering a period of 32 years (1980 – 2012). In the analysis, the study used Johansen cointegration model, Vector Error Correction model (VECM) and Granger causality test. The result of cointegration reveals that there exist a long run relationship among the variables used in the model. The result further indicated a positive relationship between real GDP and trade openness and revealed a negative relation between real GDP and financial openness. Also the paper shows that population growth is undermining the growth of Nigerian economy. Moreover, the study documented a positive relation between real GDP and government expenditure, while evidence of causal relation seems to run between trade openness and economic without feedback. The study concluded that outward looking policies should be pursued with a pinch of salt as chemistry of Nigerian economy is not suited to benefit freely from openness in the midst of laissez-faire doctrine.

Keywords: Economic openness, financial intermediation, economic growth, time series

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