Global Science Research Journals

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www.globalscienceresearchjournals.org/

Short Communication
Open Access

Global Journal of Accounting, Economics and Finance

ISSN: 2504-9992 Vol. 5 (3), pp. 1-2, December, 2022

Nigeria's economic development, institutional excellence, and economic liberalization

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Received: 15-Nov-2022, Manuscript No. GJAEF-23-86512; **Editor assigned:** 18-Nov-2022, PreQC No. GJAEF-23-86512 (PQ); **Reviewed:** 02- Dec-2022, QC No. GJAEF-23-86512; **Revised:** 08-Dec-2022, Manuscript No. GJAEF-23-86512 (R); **Published:** 16-Dec-2022, DOI: 10.15651/2504-9992.22.5.112

DESCRIPTION

When backed by the right policies, economic openness has been asserted to be a growth enabler. In this study, the impact of Nigeria's economic openness on growth is examined. Additionally, it evaluates how institutions contribute to the link between economic openness and growth (Zhou et al., 2022). Economic openness has a positive but negligible impact on economic growth, according to the study, which also makes use of annual series, a vector error correction model, and a causality test. The association between economic (trade and financial) openness and economic growth shows weak significance, but with a negative effect, when institutional quality is taken into account (Xu et al., 2022). These results suggest that measures taken to ensure the free flow of goods and services and capital inflows have not appreciably boosted economic growth. The current quality of institutions may not necessarily assure a greater relationship between economic openness and economic growth, and efforts to strengthen government effectiveness have not entirely translated into assuring improved economic growth (Balata et al., 2022). The study suggests enhancing the flow of goods and services with a particular emphasis on reducing imports and promoting exports. It also suggests encouraging the development of stronger, higher-quality institutions capable of implementing appropriate trade and financial liberalization policies that won't distort but instead significantly boost economic growth. When economies exhibit greater levels of financial openness, trade openness, and institutional quality, many believe them to be more developed (Sussmuth et al., 2021). Financial openness is based on economic theory that asserts that financial openness promotes economic growth and development and is based on models of a competitive and efficient market. To complete, financing is necessary for the potential growth. On the other hand, it's important to emphasize the existence of market distortions that could result in effects of financial openness that reduce welfare. These market distortions might be tied to political economic considerations or take on different forms, such as asymmetric knowledge and hidden action.

The entire planet is fast becoming a single market. More nations are promoting and engaging in cross-border exchange of capital, goods, services, technology, and information as a result of its favorable, if mixed, financial results (Zhang et al., 2022). The interconnectedness of the world makes it appear difficult, if not impossible, for any economy to operate independently. In 1986, Nigeria started the Structural Adjustment Programme (SAP), riding the global liberalization wave. Prior to this time, the Central Bank of Nigeria generally set interest rates in Nigeria, with occasional modifications based on the sectoral objectives of the government. Financial liberalization became necessary with the SAP's implementation, which concentrated on trade liberalization. Interest rate deregulation, the creation of an auction market for treasury bills, the identification of insolvent banks for restructuring, the introduction of stricter prudential guidelines for banks, an increase in the minimum capital requirement for banks, and the modernization and standardization of accounting procedures are some of the actions that were taken in this regard. Over time, policymakers and governments of developing nations have become more cognizant of the idea that trade openness promotes economic growth and enhances citizen welfare. Due to its role in connecting national economies, trade openness is thought to promote economic growth. According to some researchers, trade barriers are continuing to disappear and the world is transforming into a single, massive market. A developing, import-dependent nation like Nigeria should not disregard or dismiss the influence of imports on its economic growth process. Nigeria has also experimented with many currency rate regimes, each of which has significant ramifications. It has been demonstrated that economies with strong institutional quality are more successful at implementing cutting-edge technologies and productivity.

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