IMPACT OF TRADE LIBERALIZATION AND POLITICAL INSTABILITY ON ECONOMIC GROWTH IN NIGERIA

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ABSTRACT

This study examines the impact of trade liberalization and political instability on economic growth in Nigeria over the period 1996 to 2023.Specifically the following objectives are pursued in this study. First, it investigates the impact of trade liberalization on economic growth in Nigeria. Second, it determines the impact of political instability on economic growth in Nigeria. Third, examines the interactive impact of trade liberalization and political instability on economic growth in Nigeria and lastly, the fourth objective which determines the causal relationship between trade liberalization and economic growth in Nigeria. The study applies the econometric technique, known as: Autoregressive Distributed Lag (ARDL) Model modelling. The results indicated that the interactive impact of trade liberalization and political instability on economic growth in Nigeria is found to be negative and statistically significant. Therefore, the study recommended that policy makers should focus on addressing political instability by implementing strategies to mitigate risks and create a stable investment environment. policy framework should be developed to ensure stability in political and trade liberalization concurrently for promoting a stable and conducive investment environment in Nigeria.

Keywords*: ARDL Gross Domestic Product, Trade Liberalization, Political Instability*

1.0 Introduction

Every economy worldwide strives to attain economies of scale through efficient resource allocation and production. Trade liberalization has the potential to drive economic growth and development in developing countries if implemented effectively. More significantly, the liberalization of international trade can serve as a stimulant for long-term economic growth. (Chile & Talukder, 2013). The 2030 Agenda for Sustainable Development acknowledges international trade as a key driver of inclusive economic growth and poverty alleviation. Many countries, particularly developing ones, have adopted economic openness by liberalizing their trade and financial sectors. Trade liberalization is commonly a component of a larger strategy aimed at trade openness and deeper integration into the global market.

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However, the progress in Africa has been slower and less visible compared to developed countries. Many developing nations have low per capita incomes, making an ideal distribution of wealth unattainable. According to Ali et al. (2018), Trade liberalization refers to "the reduction of barriers to the movement of goods and services in the global market." As a result, developing countries had to lower their trade barriers to integrate into the international market and attract more foreign investments, which would help boost their economic growth. However, despite these efforts, the recent rise in economic growth has not been enough to significantly reduce poverty in countries that rely heavily on imports (Pablo 2018). This situation highlights the vulnerabilities of domestic producers in comparison to external producers in the context of global international trade. Studies such as Duncan and Quang (2003) and Mitra (2016) show that effective policies and institutions are crucial for the relationship between growth and poverty reduction. Trade policies, being vital for successful poverty alleviation, play a key role in driving economic growth by creating jobs and enhancing market access. When properly designed, such policies can increase productivity, raise income levels, and lower the cost of goods, all of which help reduce poverty. Nevertheless, many African countries, particularly Nigeria, have not fully benefited from trade openness and have struggled to gain advantage on the opportunities presented by a more globalized market. This inability to fully benefit from trade openness is not disconnected from the existence of political instability in the country.

Therefore, Political stability becomes crucial for a country's economic development and sustained growth. Because, an unstable political system can hinder both industrial and economic progress. Political instability undermines both the productive and transactional capabilities of the economy. This negatively impacts investment and future economic growth, further contributing to a vulnerable socio-political environment (Dalyop, 2019). It has also been established that an unstable political system affects not only economic growth but also trade patterns and this can hinder trade liberalization (Suleman et al., 2019, Dankumo et al, 2020). It can disrupt trade agreements hence, undermining the ability of a country to negotiate and adhere to trade agreements. Frequent changes in government and shifts in policy direction can create uncertainty for businesses and investors. For instance, during periods of political unrest or transition in Nigeria, there have been numerous changes in trade policies and regulations. The trade policy of border closure in 2019 embarked upon by the previous administration in Nigeria clearly undermines the AFCFTA which requires member countries to remove tariffs from 90% of goods, allowing free access to commodities, goods, and services across the African continent. The various coup that took place in Mali, Senegal and Niger can all hinder and disrupt this agreement. This can cause shock and slow down economic growth and deteriorate welfare of the population (Abuseridze, 2020**)** ultimately hindering industrial and economic progress.

Despite Nigeria's abundant human and natural resources, she couldn't maximize her gains from international trade as the country has been experiencing an inconsistency in its economic growth which can be attributed

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to political instability and economic growth as accompanied by over dependency on import and lack of diversification of the economy. Regardless of this economic condition, the relationship between trade liberalization and economic growth in the country has not been adequately explored. This gap in research however, makes it difficult to deeply understand the combine impact of trade liberalization and political instability on economic growth.

2.0 Empirical Literature

This section offers an empirical review on the impact of trade liberalization and political instability on economic growth across different countries of the world.

Moreso, Vasa *et al.*, (2023) used the dynamic panel data approach to study the impact of ICT on economic growth of Kazakhstan. Variables were gross regional product, communication, computer, internet and technology. The result shows that ICT infrastructure has appositive and significant impact on regional development.

Again, Aisen and Veiga (2013) also carried out research on the effect of political instability on economic growth. GMM was used to estimate the data of 169 countries and the result shows that political instability adversely affects growth by lowering the rate of productive growth and, to a smaller degree, human capital accumulation. Finally, economic freedom and ethnic homogeneity are beneficial to growth while democracy may have a small negative effect.

Furthermore, Dalyop (2019) conducted a study on political instability and economic growth in Africa. Political stability and economic data of 52 countries were used and result from the data used shows that there is a bidirectional direct relationship between political instability and economic growth which is more in the conflict affected countries than it is in the non-conflict affected ones thus indicating a correlation between political instability and economic instability.

In addition, Arjona and Englantina (2021), conducted a study on the impact of political instability on economic growth in CEE countries. They adapt the fixed effect model of analysis using variables as: inflation, human capital, government expenditure, trade openness, GDP, and gross fixed capital formation. Their findings showed that political stability index has positive impact on growth while political instability, has a negative impact on growth.

Gideon, (2020) explored the effect of trade liberalization on economic growth in sub-Saharan Africa by analyzing certain macro-economic indicators using Ordinary Least Squares approach to estimate regression equations. The result of the regression clearly showed that exports and imports have positive effect on Gross Domestic Product, while exchange rate and interest rate on the other hand have a negative effect on GDP.

Another study in South Africa by Udeagha and Ngepah (2021), examine the asymmetric effect of trade openness on economic growth but did not measure the impact of political instability. Hence, the need for this

study to include the two variables- political instability and trade liberalization to determined their interactive effect on the economic growth of Nigeria.

Furthermore, Qadri *et al*., (2020), conducted research on the effect of political instability on international investment and trade in Pakistan. To test the long and short run relationships among the variables, ARDL model was applied. Results revealed that political instability badly hampers both international investment and trade in the long run. Moreover, in the short run, political instability significantly hinders the foreign portfolio investment and exports. No significant impact of political instability was found on foreign direct investment and imports in the long run.

In a country-specific study for Turkey, Titumir (2022) find that a positive correlation between trade liberalization and economic growth is plausible. Moreover, their most important finding is that a reduction in trade distortions is linked to growth thereby highlighting the importance of trade policy on the economic performance of that country.

Also, Adeyemo and Ogwu (2023) empirically examined the relationship between trade liberalization, gender inequality and economic growth in Nigeria. The results of the ARDL estimates indicated that in the long run trade openness, and government expenditure coefficients have positive relationships with real gross domestic product and they were also statistically significant.

Again, Nomor and lorember (2017), investigated the relationship between political stability and economic growth in Nigeria for the period 1999 to 2014 using the ARDL model approach. The result revealed a positive and significant relationship between political stability and economic growth both in the long run and in the short run.

A study Oyegoke and Aras, (2021) on the impact of foreign direct investment on economic growth in Nigeria using GDP, foreign direct investment inflow, and foreign direct investment outflow the methodology used in the study was the ordinary least squares (OLS) and results shows that foreign direct investment has a positive impact on GDP.

Another study by Mgbodichima (2022) examined the impact of trade liberalization on economic growth in Nigeria. The study used the expose factor research design and found that a percent rise in total export trade brought about increase in economic growth in Nigeria. One percent rise in total import trade brought about decline in economic growth in Nigeria; whereas a percent rise in exchange rate brought about decline in economic growth in Nigeria.

3.0. METHODOLOGY

In view of major objective of this research, which is aimed at assessing the interactive effect of trade liberalization and political instability on economic growth in Nigeria, the study employed quarterly data from 1996Q1-2023Q4. All the data used were collected from World Bank (2024) and the variables used for

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the study are: Gross domestic product (GDP) as the dependent variable, while the independent variables include: Trade liberalization (TLB), Political instability (pol) which was proxied by political stability number of sources (PS), information and communication technology (ICT), financial development (FD) and foreign direct investment (FDI). The stationarity of the variables was estimated using the Augmented Dickey- Fuller (ADF) and Kwiatkowski, Phillips, Schmidt, and Shin (KPSS) unit root test to test the null hypothesis that assumes that series have a unit root and are stationary respectively. The long run and short run relationship among the variables were estimated using the Autoregressive Distributive Lag (ARDL) model.

3.1. Theoretical Framework

The export led growth hypothesis was adopted for this study because it provides a deeper and clearer understanding of the relationship that exist between the variables of interest of this study. According to this theory however, countries will achieve a faster growth when they are focused on expanding their export. It established a strong relationship between the performance of an economy and its level of export. Expansion of export was postulated to be one of the main determinants of the growth in each economy (Echekoba *et al*, 2015). The export-led growth hypothesis holds that overall growth of different economies depends, not on the level of capital and labour it has in abundance, but on expansion in export. This hypothesis is premised, among others, on the position of Feder (1983) who stated that export expansion has the ability to generate positive externalities on non-export sectors as these sectors were made to become efficient in their managements of resources and implementation of production technique. This equation can be expressed as an equation as follows:

$$\Delta Y=\alpha\Delta X+\beta \quad (3.1)$$

where ΔY is the change in real GDP (economic growth), ΔX denotes change in export growth, α represent the coefficient that captures the impact of export growth on GDP growth, whereas β is the intercept of the model. This equation implies that a change in exports will lead to a change in real GDP, with α representing the sensitivity of economic growth to export growth. A higher α suggests that exports have a larger effect on the economy.

3.2. Model Specification

This study adapts the model of Udeagha and Ngepah (2021) which has been modified by introducing the political instability variable hence, the functional form of the model is given as:

$$GDP= f (TLB, PS, FDI, FD, ICT) \quad (3.2)$$

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whereas the interactive term of political instability and trade liberalization is captured in Equation 3.3 as presented below:

$$GDP = f(TLB, PS, TLB * PS, FDI, FD, ICT) \quad (3.3)$$

However, a general econometric model that captures the relationship between the dependent and independent variable is given in equation 3.4 below:

$$Y_t = \beta_0 + \beta_1 X_t + \varepsilon_t \quad (3.4)$$

where Y is the dependent variables: economic growth; β_0 is the intercept; b_1 is the slope; X_t is the independent variable and ε_t is the stochastic error term with error term independently identically distributed $\varepsilon_t \sim iid\left(0, \sigma^2\right)$. The intercept ($\beta_0$) is the value of the dependent variable when the independent variable is equal to zero while the slope of the regression line (β_1) represents the rate of change in economic growth. Because, economic growth is dependent on trade liberalization, political instability, foreign direct investment, information and communication technology and financial development, the slope describes the predicted values of economic growth given the value of trade liberalization, political instability, foreign direct investment, information and communication and financial development.

$$GDP_t = \beta_0 + \beta_1 TLB_t + \beta_2 POL_t + \beta_3\, TLB_t * POL_t + \beta_4 FDI_t + \beta_5\ FD_t + \beta_6 ICT + \varepsilon_t \quad (3.5)$$

The model in Equation 3.5 will then be transformed into a logarithmic model as presented in Equation 3.6 as follows:

$$LGDP_t = \beta_0 + \beta_1 LTLB_t + \beta_2 LPS_t + \beta_3 L(TLB * PS)_t + \beta_4 LFDI_t + \beta_5 LFD_t + \beta_6 LICT + \varepsilon_t \quad (3.6)$$

The variables have been transformed into natural logarithm to normalize and reduce the skewness of the data, and to have meaningful economic interpretation for the coefficients. From the literature, the a priori expectation of the empirical models in equation 3.6 is that the parameter β_1, β_3, β_4, β_6 are greater than zero and positive (> 0) whereas β_2 and β_5 are expected to be negative.

3.3. Autoregressive Distributive Lag (ARDL) model

To attain the objective of the study, Autoregressive Distributive Lag (ARDL) Model is employed. As proposed by Pesaran and Shin (1999), compared to traditional cointegration approaches, the linear ARDL modeling has many advantages. The most important is that it is possible to test the presence of cointegration even if variables have different orders of integration (integrated of order zero, one or fractionally integrated) (Zmami & Ben-Salha, 2019). The Autoregressive Distributive Lag Model (ARDL) shows that every equation contains lagged value of the dependent variable the current and lagged values of regressors as

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explanatory variables because the model uses the combination of endogenous and exogenous variables. The model was developed by Pesaran (1997) and used by Pesaran, *et al.,* (2001); Nguyen et al (2020); Orji, *et al.*, (2015), among others. This approach also allows the model to take a sufficient number of lags to capture the data generating process in a general-to-specific modelling framework. Although, a dynamic error correction model (ECM) can be derived from ARDL through a simple linear transformation, Banerjee *et al.*, (1998) and Pesaran *et al.*, (2001), have introduced bound testing as an alternative to test for the existence of cointegration among the variables. The bounds test procedure is merely based on an estimate of unrestricted error correction model (UECM) using ordinary least squares estimator. Tang (2003) argues that the UECM is a simple re-parameterization of a general ARDL model. The equation 3.3 would be transformed to the linear ARDL approach specification:

$$\begin{aligned}\mathrm{LGDP}_t = \beta_0 + \sum_{i=0}^{p} \beta_1 \, \Delta\mathrm{LGDP}_{t-i} + \sum_{i=0}^{p} \beta_2 \, \Delta\mathrm{LTLB} + \sum_{i=0}^{p} \beta_3 \, \Delta PS_{t-i} + \sum_{i=0}^{p} \beta_4 \, \Delta\mathrm{L}(\mathrm{TLB}_{t-i} * PS_{t-i}) \\ + \sum_{i=0}^{p} \beta_5 \, \Delta LFDI_{t-i} + \sum_{i=0}^{p} \beta_6 \, \Delta\mathrm{LFD}_{t-i} + + \sum_{i=0}^{p} \beta_7 \, \Delta\mathrm{LICT}_{t-i} + \alpha_1 \mathrm{LGDP}_{t-i} + \alpha_2 LTLB_t + \alpha_3 PS_t \\ + \alpha_4 \mathrm{L}(TLB * PS_{t-i})_t + \alpha_5 \mathrm{LFDI}_t + \alpha_6 LFD_t + \alpha_7 LICT_t \\ + \varepsilon_t \qquad (3.11)\end{aligned}$$

where β_0 symbolize a drift component, Δ is the First difference operator. β_i, α_i are parameter coefficients of the variables. ε_t is white noise with zero mean. The terms with the summation signs (∑) above represent the error correction dynamics while the part of the equation with α_i corresponds to the long-run relationship. When Equations (3.11) is estimated, *F*-test will be carried out to evaluate the joint significance of the lagged level series as an indication of long run cointegration. This can be based on the *F* critical values documented in Pesaran *et al.* (2001) and Narayan (2005) *F*-tests values.

To realize long run cointegration amongst series under study, the computed *F*-statistic value has to be higher than the Pesaran *et al*. (2001) or Narayan (2005) `s upper bound region critical figures. There is another advantage for the Equations (3.11). This is highlighted in the process that all short and long run impacts of all the variables are estimated with the use of just one-step through estimating the sole equation. For the long run relationships, inferences on the long run influence are drawn from coefficients parameter estimates for the α_1 to α_6 normalised by α_1 while for the short run relationships, it will be captured from the coefficient's parameter estimates for variables associated with summation symbols. The F-test statistic examines the postulations of no or absence of cointegration between the variables in a specified model against the presence of a long run cointegration. Following a proving the presence of co-integration, the short-run

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dynamics and the Error Correction Term (ECT) will be developed. The linear ARDL ECT has two important parts, the short-run coefficients and the ECT that delivers the speed of adjustment. The linear ARDL ECT model is specified as follows:

$$\mathrm{LGDP}_t = \beta_0 + \sum_{i=0}^{p} \beta_1 \, \Delta\mathrm{LGDP}_{t-i} + \sum_{i=0}^{p} \beta_2 \, \Delta LTLB_{t-i} + \sum_{i=0}^{p} \beta_3 \, \Delta PS_{t-i} + \sum_{i=0}^{p} \beta_4 \, \Delta\mathrm{L}(\mathrm{TLB}_{t-i} * PS_{t-i}) + \sum_{i=0}^{p} \beta_5 \, \Delta\mathrm{LFDI}_{t-i} + \sum_{i=0}^{p} \beta_6 \, \Delta\mathrm{LFD}_{t-i} + \sum_{i=0}^{p} \beta_7 \, \Delta\mathrm{ICT}_{t-i} + \mathrm{ECT}_{t-i} + \varepsilon_t \quad (3.12)$$

where ECT stands for the error correction term. The negative sign is expected between the ECT and the dependent variable.

4.0. Results and Discussion

In other to ensure stationarity of the variables, the study employed the Augmented dickey- fuller (ADF) and the Kwiatkowski, Phillips, Schmidt, and Shin (KPSS) unit root test. Results from the estimate are presented in table 1 and 2 below:

Table 1:
Augmented Dickey-Fuller Unit Root Test

Series	Constant without trend		Constant with trend		None	
	Level	1st Diff.	Level	1st Diff.	Level	1st Diff.
LGDP	-2.541	-3.232**	-3.043	-3.428*	-0.445	-3.269***
LTLB	-3.711***	-2.894**	-2.736	-3.814**	1.039	-2.678***
LPS	-2.110	-2.009	-2.063	-2.293	-0.029	-1.868*
LICT	-2.203	-3.527***	-0.512	-10.023***	1.136	-3.071***
LFD	-1.987	-2.533	-3.264*	-2.418	0.314	-2.330**
LFDI	-1.632	-2.236	-2.893	-2.115	-0.594	-2.250**

Note: ***, ** and * represents significant level at 1%, 5% and 10% respectively. The figures are the *t*- statistics for testing null hypothesis that the series has unit root

Source: *Researchers' Computation*

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Table 2:
Kwiatkowski-Phillips-Schmidt-Shin (KPSS) Unit Root Test

Series	Constant without trend		Constant with trend	
	Level	1st Diff.	Level	1st Diff.
LGDP	0.458*	0.071***	0.173**	0.069***
LTLB	0.873	0.277***	0.304	0.035***
LPS	0.810***	0.271***	0.273***	0.090***
LICT	0.993	0.395*	0.278	0.081***
LFD	0.795	0.067***	0.133*	0.068***
LFDI	0.448*	0.272***	0.277	0.124*

Note: ***, ** and * represents significant level at 1%, 5% and 10% respectively. The figures are the *t*-statistics for testing null hypothesis that the series has unit root
Source: *Researchers' Computation*

The results from the Augmented Dickey-Fuller (ADF) and Kwiatkowski-Phillips-Schmidt-Shin (KPSS) unit root tests reveal a mixed order of integration among the variables, including LGDP, LTLB, LPS, ICT, FD, and FDI. The ADF test shows that trade liberalization (LTLB) and financial development (FD) are stationary at level at 1% and 10% significance levels, respectively, under both constant models. Other variables like LGDP, LTLB, ICT, and FDI are stationary at first difference, with LGDP being stationary at 5% under constant without trend, 10% under constant with trend, and 1% under the random walk model. ICT is stationary at 1% across all models, while FD and FDI are non-stationary at level but become stationary at first difference under the random walk model at 5% significance. The KPSS test also shows similar patterns, with LGDP, LPS, and FDI stationary at 10%, 1%, and 10% significance levels under the constant without trend model, and LGDP, LPS, and FD stationary at 5%, 1%, and 10% under the constant with trend model. All variables are stationary at first difference under both models, with most being stationary at the 1% level under the constant with trend model. LFDI is stationary at 10% under the constant with trend model and at 1% under the constant without trend model. This mixture of integration orders supports the use of the ARDL technique.

4.1. ARDL Analysis

To obtain the combine impact of trade liberalization and political instability on economic growth in Nigeria, the ARDL approach was utilized.

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Table 3: *ARDL Bound F-Test for Cointegration 1996Q1-2023Q4*

Model	*K*	F-Stat.	Significance Level	Critical Value	
DV: *LGDP*	6	7.487		*I*(0)	*I*(1)
			1%	3.173	4.485
			5%	2.431	3.518
			10%	2.088	3.103

Source: Researchers' computation

The result of the ARDL bound test from Table 3 indicates that the F-Statistic of 7.487 exceed the critical value of the upper bound of 4.485 at 1% level of significance. Therefore, it is possible to reject the null hypothesis which stated that there is no cointegrating relationship amongst the variables under study. Hence, the result in Table 3 indicated the existence of cointegrating relationship amongst Gross domestic product, Trade liberalization, political instability, financial development, Foreign direct investment and Information and communication technology.

4.2. ARDL Long Run Analysis

Table 4: *ARDL Long Run Coefficients*

Variable	**Coefficient**	**Std. Error**	**t-Statistics**	**Prob.**
LTLB	0.369	0.040	9.179	0.000
LPS	0.326	0.185	1.763	0.082
*L(PS*TLB)*	-0.228	0.104	-2.179	0.032
LFD	0.178	0.340	0.446	0.657
LFDI	2.022	0.554	3.651	0.001
LICT	0.677	0.208	3.253	0.002

Source: Researchers' computation

The long-run relationship results in Table 4 reveal that trade liberalization positively impacts economic growth, with a 1% increase leading to a 0.37% rise in GDP at the 1% significance level, consistent with findings by Gideon (2020), and Udeagha & Ngepah (2021), but contradicting Elija and Musa (2019). Political stability also has a positive effect, with a 1% increase leading to a 0.33% rise in GDP, though significant only at the 10% level, supporting the view that political instability hampers growth (Aisen & Veiga, 2013; Arjona & Englantina, 2021;). The interaction between trade liberalization and political instability negatively affects GDP, decreasing it by 0.23%, in line with Rodriguez (2001) and Aisen & Veiga

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(2013). Financial development positively impacts growth, but is statistically insignificant, likely due to funds being channeled into unproductive sectors (Ndikumana & Boyce, 2011). Foreign direct investment (FDI) has a positive and significant effect, with a 1% increase leading to a 2.02% rise in GDP, consistent with Oyegoke (2021). Information and communication technology (ICT) also positively impacts growth, with a 1% increase leading to a 0.67% rise in GDP, significant at the 1% level, supporting the findings of Vasa et al. (2023).

4.3. ARDL Short Run Analysis

Table 5: *ARDL Short Run Coefficients*

Variable	Coefficient	Std. Error	t-Statistics	Prob.
LTLB(-1)	15.770	5.740	2.748	0.007
LPS(-1)	9.178	3.766	2.437	0.017
*L(PS*TLB)(-1)*	-15.653	5.727	-2.733	0.007
LFD(-1)	1.644	0.591	2.784	0.007
LFDI(-1)	-1.279	0.545	-2.348	0.021
LICT(-1)	0.288	0.062	4.682	0.000
CointEq(-1)	-0.283	0.035	-8.067	0.000

Source: *Researchers' computation*

The short-run relationship results in Table 5 show that the error correction term is negative and statistically significant at the 1% level, indicating that 28.3% of short-term disequilibrium in economic growth will be corrected within a year, supporting cointegration among the variables. Trade liberalization has a positive and significant impact on economic growth, with a 1% increase leading to a 15.77% rise in GDP in the short run. Political stability also positively affects economic growth, with a 1% increase leading to a 9.18% increase in GDP.

The interaction between trade liberalization and political instability has a negative impact on growth, decreasing GDP by 15.65% when trade liberalization increases in the presence of political instability, significant at the 1% level. Financial development positively impacts economic growth, with a 1% increase leading to a 1.64% rise in GDP, statistically significant at the 1% level. Foreign direct investment (FDI) has a negative impact on economic growth, with a 1% increase leading to a 1.73% decrease in GDP, significant at the 5% level. Information and communication technology (ICT) positively affects economic growth, with a 1% increase leading to a 0.29% rise in GDP, significant at the 1% level.

4.4. Diagnostic Analysis

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The diagnostic tests on the ARDL model have been conducted to determine the reliability of the estimates. The following tests have been carried out and presented in Table 6, serial correlation LM test, heteroskedasticity test, Jargue-Bera normality test and Ramsey RESET test.

Table 6: *ARDL Diagnostic Tests*

Test	t-statistics	Prob.
B-G Serial Correlation LM Test	0.850	0.654
Heteroskedasticity Test	1.291	0.524
Jargue-Bera Normality Test	77.431	0.000
Ramsey RESET test	1.276	0.285

Source: *Author's Computation*

Table 6 presents the ARDL diagnostic test results. The Breusch-Pagan Godfrey (B-P) LM test for serial correlation yields a statistic of 0.850 with a p-value of 0.654, indicating no serial correlation. The ARCH test for heteroskedasticity shows a t-statistic of 1.291 and a p-value of 0.524, confirming the absence of heteroskedasticity, meaning the residuals are homoscedastic. The Ramsey RESET test, with a p-value of 0.285, indicates no misspecification bias in the model. However, the Jarque-Bera test for normality shows a statistic of 77.431 and a p-value of 0.000, suggesting that the residuals are not normally distributed. Despite this, normality is not a concern in ARDL models, as lags and their distribution are determined automatically. Furthermore, the stability of estimated coefficient is tested using the CUSUM and CUSUMSQ. The result shows that the residual variance of GDP model is stable of systematic changes in the regression coefficients despite occasional instances of persistent oscillations, since the test statistics fall within the 5% critical band. Similarly, the Cumulative Sum of Squares (CUSUMSQ) statistic plots depicted in Figure 2 also did not cross the 5 percent critical value bands, suggesting that the parameters of the model are stable of sudden changes from the consistency of the regression coefficients as shown from figures 1 and 2:

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Figure 1: *Plots of the Cumulative Sum (CUSUM) of Residuals*

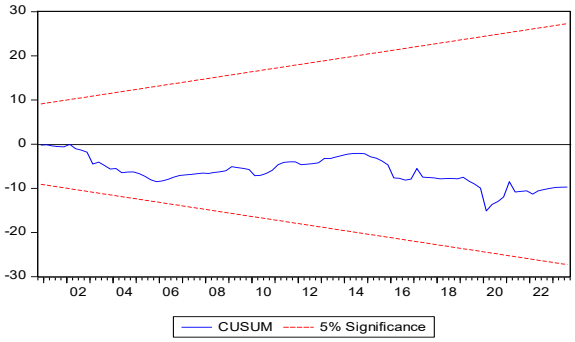
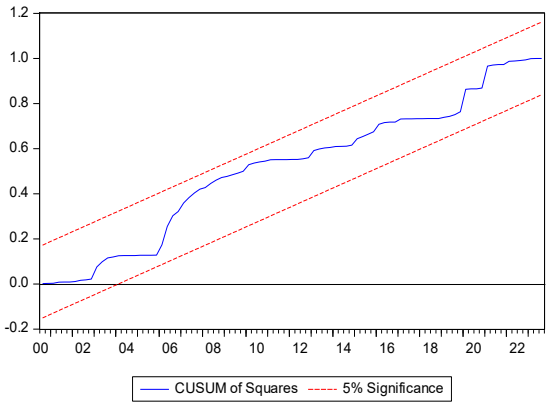


Figure 2: *Plots of the Cumulative Sum of Squares*



Source: *Author's Computation*

5.0. Conclusion and Policy implications

The following conclusions were drawn based on the findings of the impact of trade liberalization and political instability on economic growth in Nigeria. The empirical analysis of Nigeria's economic factors reveals a mixed relationship between trade liberalization, political instability, and economic growth. Trade liberalization has a positive and significant long-run effect on growth, while political instability significantly impacts economic performance and growth. The interaction between trade liberalization and political instability shows a negative effect, suggesting that the combined uncertainty from both factors creates an unfavorable environment for investment, hindering economic growth.

The policy implication of this findings is that government should focus on strategies to mitigate political risks and create a stable environment for trade liberalization and economic prosperity. policy framework should be developed to ensure stability in political and trade liberalization concurrently for promoting a stable and conducive investment environment in Nigeria.

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