

**THIRD WORLD COUNTRIES, FOREIGN AND DOMESTIC ECONOMIC  
DEVELOPMENT: EXAMINATION OF THE IMPACT IN NIGERIA**

**BY**

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UNIVERSITY OF BENIN**

**JANUARY, 2025**

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**A PROJECT PRESENTED TO THE DEPARTMENT OF POLITICAL SCIENCE,  
FACULTY OF SOCIAL SCIENCES, UNIVERSITY OF BENIN, BENIN CITY,  
EDO STATE IN PARTIAL FUFILMENT OF THE REQUIREMENTS FOR THE  
AWARD OF BACHELOR OF SCIENCE (B.Sc.) IN POLITICAL SCIENCE**

**JANUARY, 2025**

## **CERTIFICATION**

We, the undersigned, certify that this research project was carried out **EDUPUTA CHUKWUJEKWU IGNATIUS** with matriculation number **SSC2008525** in the Department of Political Science, Faculty of Social Sciences, University of Benin, Benin City in partial fulfilment of the requirements of the award of Bachelor of Science in Political Science.

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**Signature and Date**

## **DEDICATION**

This project is dedicated to God Almighty from whom comes all knowledge, wisdom and intelligence.

## **ACKNOWLEDGEMENT**

Firstly, I want to thank God almighty who has brought me thus far and endued me with the courage and wisdom to handle all processes and challenges in writing of this project.

I also want to appreciate my project supervisor Dr. Francis O. Osayi for his support, direction and assistance which helped in making this research work a reality despite his several commitments, he had the patience to guide and offer correction that made it a success. To the Head of the department and all the lecturers of the Department of Political Science who made this study a success, I say a very big thank you.

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## **ABSTRACT**

This primary task of this study was to examine Third World Countries, Foreign and Domestic Economic Development: Examination of the Impacts in Nigeria. The study adopted a descriptive survey. The population for this study was Lecturers from the University of Benin. A total number of twenty (20) respondents from the Departments of Political Science and Economics were drawn from the population of the study using the purposive sampling technique. The research instrument for the study was a Questionnaire titled: 'Third World Countries, Foreign and Domestic Economic Development: Examination of the Impacts in Nigeria' which was distributed to the respondents and collected immediately after completion. The simple percentage and mean score was used in computing the responses of the questionnaire items. To account for the reliability of the study, the Pearson's Product Moment Correlation Coefficient was used which gave a value of 0.83. At the end of the study, the researcher found amongst others that the inflow of foreign aid and development assistance, contributes to poverty reduction and human development outcomes in Third World nations; foreign aid effectively alleviates poverty and improves living conditions; foreign aid contributes to the development of private sector enterprises and entrepreneurship. It was recommended amongst others that the government should explore microfinance institutions and small enterprises in driving domestic economic development in third world countries

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background of the Study**

Developing nations, often referred to as third world countries, are frequently characterized by low levels of economic development, limited infrastructure, and poor social indicators (Ojukwu, 2015). Despite the endeavors of governments and international organizations to foster economic progress in these nations, advancements have been gradual and inconsistent. Many countries still grapple with substantial economic and social difficulties. In recent times, there has been increasing attention on the role of foreign aid and foreign investment in stimulating economic development in third world countries. Concurrently, it is acknowledged that domestic policies and strategies significantly influence economic development, and each country faces unique barriers to growth (Adeyemi, 2012). According to the World Bank (2021), third world countries had an average gross domestic product (GDP) per capita of only £2,419 in 2020, compared to £36,890 for high-income countries. This underscores the significant challenges that third world countries encounter in pursuing economic growth and development.

Foreign aid denotes financial or other forms of support provided by governments, international organizations, or private entities to bolster development initiatives in third world countries (Omidvar, & Daryabeigi, 2011). Conversely, foreign investment pertains to capital injections made by foreign companies or individuals into third world countries, typically through direct investment (i.e., ownership or control of a company) or portfolio

investment (i.e., investment in stocks, bonds, or other securities) (Omidvar, & Daryabeigi, 2011).

Foreign aid and investment have long been regarded as potential remedies for the economic challenges confronting third world countries. Foreign aid, characterized by resource transfers from affluent countries and international bodies, is often extended to support developmental projects in third world countries (Otite, 1999). In contrast, foreign investment refers to investments made by foreign entities or individuals in a foreign nation and can serve as a pivotal source of capital and expertise for third world countries (UNCTAD, 2020). However, the efficacy of foreign aid and investment in stimulating economic development in third world countries has been a subject of extensive debate. Some argue that aid and investment can act as potent catalysts for economic growth, while others contend that aid can foster dependency and investment can exacerbate inequality and environmental degradation (Oniyekakeyah, 2008). Simultaneously, it is acknowledged that domestic policies play a vital role in economic development. Such policies encompass measures like tax incentives, infrastructure development, and educational and training programs, all of which bolster economic growth and development (World Bank, 2019). Strategies for economic development may also encompass initiatives aimed at enhancing governance, curbing corruption, and nurturing private sector growth (Abanikannda, & Omobuwa, 2021). Despite the exertions of governments and international organizations to boost economic development in third world countries, progress remains slow and uneven. Numerous countries continue to

confront substantial economic and social challenges, including elevated poverty levels, restricted access to education and healthcare, and insufficient infrastructure. These challenges are further compounded by various external factors, including global economic circumstances, international trade policies, and climate change (World Bank, 2021).

Supporters of foreign aid and investment posit that these resources can mitigate key impediments to economic development in third world countries, including restricted access to capital, technology, and expertise. They also highlight the potential benefits of amplified trade and investment flows, which can stimulate economic expansion and job creation (World Bank, 2021). Conversely, critics assert that foreign aid and investment can yield adverse consequences, such as exacerbating inequalities, encouraging corruption, and fostering reliance on foreign resources (Adepetun, 2018). In parallel, it is recognized that domestic policies and strategies wield significant influence over economic development, and each country frequently encounters distinctive growth barriers. Critical domestic factors contributing to economic development encompass investments in education and healthcare, infrastructure development, and the creation of an advantageous business environment (World Bank, 2021). Nevertheless, achieving these objectives can pose formidable challenges, particularly in nations with limited resources and fragile governance structures. Given this backdrop, a comprehensive examination of the determinants of economic development in third world countries, with due consideration of both foreign and domestic factors, is imperative. This study seeks to

fulfill this need by conducting a thorough analysis of foreign and domestic economic development in third world countries. Through an exploration of trends, challenges, and opportunities in economic development in these nations, this study aims to enhance our understanding of the factors influencing economic development and provide valuable insights for policymakers and practitioners in crafting and implementing effective policies and strategies for fostering economic growth and development.

## **1.2 Problem Statement**

Third world countries, including Nigeria, grapple with formidable challenges in achieving sustainable economic development and enhancing the living standards of their populace. Despite concerted efforts by governments, international organizations, and foreign entities through foreign aid, investment, and trade relationships, these countries continue to confront persistent issues such as poverty, income inequality, insufficient infrastructure, and restricted access to education and healthcare. The intricate interplay of domestic policies, global economic dynamics, and socio-political factors perpetuates the state of underdevelopment and sluggish progress in these nations. The foremost challenge to address pertains to the intricate economic landscape marked by deeply rooted structural impediments that hinder the progress of third world countries, including Nigeria. These challenges encompass insufficient physical and social infrastructure, limited technological capabilities, and dependence on primary commodities, rendering them susceptible to external shocks and impeding economic diversification. Furthermore, weak governance, corruption, and institutional shortcomings foster an unfavorable

business climate, deterring both domestic and foreign investments. Conquering these structural barriers is essential for attaining sustainable economic development in third world countries.

The second pivotal challenge relates to the role of foreign aid and foreign direct investment (FDI) in propelling economic development. While foreign aid has been a significant source of financial and technical support for third world countries, its effectiveness in addressing the root causes of underdevelopment remains contentious. Additionally, attracting and optimizing FDI inflows necessitates a conducive investment environment, well-defined policies, and effective regulatory frameworks. Grasping the complexities of foreign aid and FDI dynamics and devising strategies to maximize their positive impact on economic development is imperative for third world countries, particularly Nigeria. The third challenge encompasses the integration of third world countries into the global economy and the consequences of globalization on their economic development prospects. Globalization has presented both opportunities and challenges for these nations. On one hand, it has facilitated market access, technology transfer, and knowledge dissemination. On the other hand, it has exposed them to heightened competition, unequal trade relationships, and vulnerability to external shocks. Evaluating the advantages and drawbacks of globalization and crafting suitable policies to harness its potential while mitigating its adverse effects is critical for the economic development of third world countries, with particular attention to Nigeria.

Addressing these challenges and formulating effective strategies for foreign and domestic economic development in third world countries, specifically from the Nigerian perspective, requires a comprehensive grasp of the underlying factors and a multifaceted approach. By exploring these issues and proposing evidence-based recommendations, this research endeavors to enrich the knowledge base and provide guidance to policymakers, international organizations, investors, and other stakeholders on effective routes to sustainable economic development, poverty alleviation, and enhanced well-being in third world countries, with tailored insights for Nigeria..

### **1.3 Objectives of the Study**

The objective of this research on economic development, both foreign and domestic, in Third World nations, with a particular emphasis on the Nigerian context, is to scrutinize the obstacles, prospects, and tactics associated with attaining enduring economic growth and enhancing the quality of life for the populace. This study seeks to bridge existing knowledge gaps and offer valuable perspectives into the elements that either impede or foster economic advancement in Third World countries, with Nigeria serving as a prominent and illustrative case study..

Specifically, this study seeks to

1. Determine the Factors Affecting Economic Development of Third World Countries?
2. Examine the Impact of Globalization on the Economy of Third World Countries?
3. Find out the Impact of Foreign Aid on the Economy of Third World Countries?

4. Ascertain the Barriers Facing the Foreign and Domestic Economic Growth of Third World Countries

#### **1.4 Research Questions**

The following research questions would guide this study

1. What are the Factors Affecting Economic Development of Third World Countries?
2. What are the Impact of Globalization on the Economy of Third World Countries?
3. What are the Impact of Foreign Aid on the Economy of Third World Countries?
4. What are the Barriers Facing the Foreign and Domestic Economic Growth of Third World Countries

#### **1.5 Significance of the Study**

Various stakeholders can benefit from research on foreign and domestic economic development in Third World countries. Here are some examples:

**Policy Makers:** Research findings can inform policy makers in Third World countries, helping them make informed decisions and implement effective strategies for economic development. They can gain insights into successful models and policies that have worked in similar contexts, enabling them to design targeted interventions and address specific challenges.

**International Organizations:** Organizations such as the World Bank, International Monetary Fund (IMF), United Nations Development Programme (UNDP), and regional development banks can benefit from research by using the findings to shape their

programs and policies. They can better understand the needs and challenges of Third World countries and tailor their assistance and support accordingly.

**Investors and Businesses:** Research can provide investors and businesses with valuable information on the economic potential and investment opportunities in Third World countries. They can identify emerging markets, assess risks, and make informed decisions regarding foreign direct investment (FDI). Understanding the economic landscape and development prospects can help them align their strategies and contribute to sustainable economic growth.

**Academics and Researchers:** Research on economic development in Third World countries can contribute to academic knowledge and understanding. Scholars and researchers can build upon existing research, identify gaps, and further explore specific aspects of economic development. This can lead to the generation of new theories, models, and frameworks that enhance our understanding of development processes.

**Non-Governmental Organizations (NGOs):** NGOs working on poverty alleviation, social welfare, and sustainable development can benefit from research findings. They can align their programs and interventions based on evidence-based approaches, ensuring that their efforts are effective, targeted, and address the specific needs of Third World countries.

**General Public:** Research outcomes can increase awareness among the general public about the economic challenges faced by Third World countries. It can foster a better understanding of the complexities involved and the importance of sustainable economic

development. This knowledge can lead to informed discussions, public support for policies, and potential advocacy for positive change.

## **1.6 Scope of the Study**

The scope of the research on foreign and domestic economic development in Third World countries, specifically from the Nigerian perspective, would encompass a comprehensive analysis of Nigeria's economic landscape and its interactions with foreign entities. It would include studying the challenges, opportunities, and strategies for economic development in Nigeria, both from domestic and foreign perspectives. The study will be limited to the University of Benin with the Department of Political Science and department of economics both from the faculty of Social Sciences being used as the case study for this research. Academic staffs from the department of political science and economics in the University of Benin, Benin City, Edo State made up the sample of the study.

## **1.7 Operational Definition of Terms**

**Globalization:** The process of increasing interconnectedness and interdependence among countries through the exchange of goods, services, capital, information, and ideas, facilitated by advancements in technology, communication, and transportation.

**Foreign Aid:** Financial, technical, or material assistance provided by one country or international organization to another country for the purpose of promoting economic development, reducing poverty, improving governance, or addressing humanitarian needs

**Development:** A multidimensional and complex process that involves improvements in economic, social, and political well-being of individuals and communities, encompassing factors such as income growth, poverty reduction, access to education and healthcare, infrastructure development, and institutional capacity building.

**Economic Development:** The sustained and inclusive growth of an economy over time, characterized by increased production, improved living standards, reduced poverty, expanded employment opportunities, and enhanced economic diversification.

**Foreign Direct Investment (FDI):** The investment made by a company or individual from one country (the investor) into a business or project in another country (the recipient country) with the aim of establishing a lasting interest and exerting significant influence over the operations and management of the investment.

**Trade Liberalization:** The removal or reduction of barriers, such as tariffs, quotas, and trade restrictions, to facilitate the free flow of goods and services across borders and promote international trade.

**Poverty Alleviation:** The set of strategies, policies, and interventions aimed at reducing and eradicating poverty, improving the living conditions of individuals and households, and enhancing their access to basic necessities, resources, and opportunities. (Source: United Nations Economic and Social Council)

**Sustainable Development:** Development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs, incorporating economic growth, social inclusion, and environmental protection.

**Income Inequality:** The unequal distribution of income among individuals or households within a society, often measured by indicators such as the Gini coefficient. It reflects disparities in earnings, wealth, and economic opportunities, which can have social, economic, and political implications.

**Infrastructure Development:** The planning, construction, and maintenance of physical structures and facilities, such as transportation networks (roads, bridges, airports), energy systems (power plants, grids), communication systems (telecommunications, internet connectivity), and water supply and sanitation, to support economic activities and improve living conditions.

**Governance:** The exercise of political, economic, and administrative authority to manage public affairs, institutions, and resources, ensuring accountability, transparency, rule of law, and participation of citizens and stakeholders in decision-making processes.

**Social Welfare:** Policies and programs designed to protect and promote the well-being of individuals, families, and communities by providing social assistance, healthcare services, education, housing, and other forms of support to vulnerable and disadvantaged groups.

**Environmental Sustainability:** The responsible and balanced use of natural resources and the protection of ecosystems to ensure their long-term viability, minimizing negative environmental impacts, and promoting conservation and sustainable management practices.

**Human Capital:** The knowledge, skills, abilities, and health attributes embodied in individuals that contribute to their productivity, employability, and overall well-being, including education, training, healthcare, and nutrition.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Understanding Development

Development is not merely an abstract concept; it is fundamentally about change, and this notion has deep historical roots. Throughout the course of human history, change has been a constant theme. From Darwin's theory of evolution to Marx's revolutionary ideas, change has always been a central element. Society itself is in a perpetual state of transformation. From traditional development to the contemporary concept of sustainable development, change is an inevitable force, and it should translate into improvements in the quality of life for all human beings. The idea of development gained prominence after the conclusion of World War II (WWII) (Marglin & Schor, 1992). Concepts play a crucial role in academic discourse as they help in the visualization of reality. Concepts are defined as abstract ideas or general notions that exist in the realm of thought or speech (Abrishami, Mehrara, and Mohseni, 2006). They are vital building blocks of human cognitive processes and beliefs (Abrishami, Mehrara, and Mohseni, 2006). Concepts aid both natural and social scientists in the scientific or social construction of reality. In the context of development, it is an abstract concept that envisions what human existence should be like. This imaginative construct serves as a guide for shaping society towards an ideal state that reflects human values and aspirations.

Development is not just a construct; it is a concept. As a concept, development inherently involves the improvement of human well-being. Thus, whenever we refer to development,

we are essentially talking about the "improvement" in the quality of human life. While there are numerous conceptualizations of development from both academia and social commentators, the underlying theme is the betterment of human existence. Development as a collective effort by a group to enhance their capacity to interact with their environment based on their understanding of natural laws. This suggests that the potential for development exists in all human societies and is not confined to a select few (Jahangard, and Khataie, 2010). The primary difference between one society and another, in terms of development, lies in the degree of their technological advancement. Indeed, technology is a key driver of development, as discussed earlier in a previous module, where we highlighted the impact of technology in contemporary globalization (Anikpo, 1984).

Abanikannda & Omobuwa (2021) conceive of development as a fundamental effort by individuals or societies to adapt to the demands of their environment. This definition aligns with Professor Mark Anikpo's perspective, where he characterizes development as continuous efforts to enhance living standards and conditions through the application of cultural means, including productive forces. Productive forces refer to the tools and machinery used for various forms of work. The United Nations Development Programme (UNDP) offers a comprehensive definition of development, focusing on the well-being of individuals. According to the UNDP, development is about enabling people to lead long and healthy lives, acquire knowledge, access resources for a decent standard of living, and participate in their communities. This definition highlights the multidimensional

nature of development, encompassing economic, social, and environmental aspects. Development is not just about economic growth, as emphasized by Adedeji. Viewing development solely through the lens of Gross Domestic Product (GDP) is a limited perspective. Oniyekakeyah (2008) asserts that development is fundamentally about creating freedom for people and removing obstacles to their liberty. Freedom empowers individuals to make strategic decisions about their future. Challenges to liberty and development include poverty, corruption, poor governance, limited economic opportunities, inadequate healthcare, and a lack of education. These challenges underscore the United Nations' position that development has evolved into a multidimensional concept that requires a comprehensive approach to achieve a sustainable and higher quality of life for all. In summary, our definition of development aligns with Oniyekakeyah's perspective: development is the liberation of individuals from the constraints and obstacles that impede their freedom to lead excellent lives. An excellent life, beyond basic sustenance, includes access to healthcare, clean water, security, the right to participate in governance, decent housing, and living conditions.

### **2.1.1 Objectives of Development**

Development is the shared aspiration of all nations with sound governance. A nation's prosperity is reflected in the well-being of its citizens in terms of essential social and economic amenities. While economic growth may not directly impact every citizen, effective leadership ensures that the wealth of the nation contributes to the development of its people. Hence, these objectives become measurable with clear indicators. The

primary macroeconomic objectives of any nation can be summarized as follows: rapid economic growth, equitable income distribution, price stability, environmental preservation, self-reliance, balance of payments equilibrium, and sustainable development. In this context, we will follow the outline provided by Michael Todaro to understand the objectives of development (Todaro, 2008):

- **Enhancing Basic Life-Sustaining Goods:** A fundamental priority of development is ensuring the availability and equitable distribution of life-sustaining goods, which include shelter, food, healthcare, and security. When people have access to these necessities and their health and safety are assured, life becomes meaningful, and happiness prevails.
- **Elevating the Standard of Living:** Development aims to raise incomes, create employment opportunities, provide quality education, and nurture human values and culture. By focusing on these aspects, development not only improves material conditions but also boosts individual and national self-esteem.
- **Expanding Economic and Social Choices:** Another critical dimension of development is providing individuals and nations with a range of economic and social choices. This is achieved by liberating them from mental and physical dependencies, both on other individuals and countries and on the dehumanizing forces of ignorance and misery.

### **2.1.2 Development in Third World Countries**

The development of underdeveloped countries is a complex and multifaceted topic that encompasses various social, economic, and political dimensions. In this essay, we will explore the fundamental concepts and strategies for the development of underdeveloped countries, with a particular emphasis on the importance of sustainable development, human capital, infrastructure, governance, and international cooperation. Sustainable development is a critical consideration for developing countries. It involves meeting present needs without compromising the ability of future generations to meet their own needs. This concept emphasizes the balance between economic growth, social progress, and environmental protection (Ayobam, 2020). Developing countries must adopt sustainable practices that account for the long-term impacts of their actions, such as promoting renewable energy, conserving natural resources, and implementing effective waste management systems.

Human capital is another key factor in development. Human capital refers to the knowledge, skills, and health of individuals, all of which contribute to economic productivity and social well-being. Investment in education, healthcare, and vocational training is crucial for enhancing human capital in underdeveloped countries. By providing quality education and healthcare services, nations can empower their citizens, stimulate innovation and entrepreneurship, and improve overall productivity. Infrastructure development also plays a significant role in the progress of underdeveloped countries. Adequate infrastructure, including transportation networks, communication

systems, and energy facilities, is essential for economic growth and connectivity. Investment in infrastructure not only stimulates economic activities but also improves the quality of life for citizens by facilitating the efficient transportation of goods and services, enabling access to markets, and enhancing regional and international connectivity (Ayobam, 2020).

Good governance is a critical aspect of development in underdeveloped countries. Effective governance involves transparent and accountable institutions, the rule of law, and inclusive decision-making processes. Strengthening institutions, combating corruption, and promoting the rule of law are essential steps toward achieving sustainable development. Creating an enabling environment for business and investment, protecting property rights, and ensuring political stability are also vital for attracting domestic and foreign investment, which can drive economic growth (Adepetun, 2018). In addition to domestic efforts, international cooperation and partnerships are crucial for the development of underdeveloped countries. Developed nations, international organizations, and non-governmental organizations can play a crucial role by providing financial aid, technical expertise, and capacity-building support. Promoting fair trade, reducing trade barriers, and providing access to global markets are essential for enabling underdeveloped countries to benefit from international trade. Collaborative initiatives, such as knowledge sharing, technology transfer, and development assistance, can contribute to the overall development of underdeveloped countries.

However, it is important to acknowledge that the concept of development is not a one-size-fits-all approach. Each underdeveloped country has its unique challenges and opportunities, necessitating tailored strategies and policies. Development efforts should consider the cultural, social, and economic context of each nation. Participatory approaches that involve local communities in decision-making processes and development initiatives are crucial for ensuring ownership and sustainability (Abdulhamid, 2008).

## **2.2 Concept of Economic Development**

Economic development is a complex and multifaceted concept that encompasses various dimensions of well-being and progress within a society. It is important to recognize that there are significant disparities in economic development across the countries of the world. These differences can be attributed to factors such as climate, economic policies, governance, and historical circumstances. Economic development is not a uniform experience but varies widely from one country to another. In economically developed countries, citizens typically enjoy a high standard of living. They have access to quality healthcare, decent housing, regular meals, clean water, and a strong educational system. Employment opportunities are abundant, often linked to a well-educated and skilled workforce. Family structures in such countries tend to be nuclear, with smaller family sizes. People in these countries also tend to live longer, with life expectancy often exceeding 70 or 78 years (Ayobami, 2020).

On the other hand, economically underdeveloped countries face significant challenges. Many of their citizens struggle to obtain even one square meal a day. Healthcare systems are often inadequate, and employment opportunities are scarce, leading to low incomes. Extended family systems are more common, with larger households living in small, often overcrowded dwellings without access to electricity or clean water. Life expectancy tends to be lower due to limited access to quality healthcare (Ayobami, 2020). The concept of economic development, as mentioned earlier, represents an improvement in both the quality of life for individuals and the overall well-being of society. It should encompass various aspects of human development, including healthcare, education, income, and living conditions. It is crucial to move beyond the narrow focus on economic growth, as measured by per capita income, and consider a broader set of indicators that reflect societal progress.

While economic growth and development are related, they are not synonymous. Economic growth primarily focuses on the quantitative aspects of an economy, such as the increase in the monetary value of goods and services produced within a specific time period. It is transactional and indicates the volume of economic activities within an economy. However, economic growth alone does not guarantee improved living standards or a better quality of life for all members of society. Economic development, on the other hand, is a more holistic concept that goes beyond mere economic growth. It involves structural changes in society that lead to qualitative improvements in the lives of individuals. Economic development encompasses increased living standards, improved

self-esteem, freedom from oppression, and a broader range of choices for people (Abanikannda & Omobuwa, 2021).

### **2.2.1 Measures of Economic Development**

Measuring economic development requires considering a range of indicators that reflect the improvement in both individual and societal well-being. These indicators are essential for evaluating whether a society or country is experiencing development. Some key measures of economic development include:

- **Inequality:** High levels of inequality within a country, where some individuals have significantly more wealth and opportunities than others, can indicate that economic development is not translating into overall societal improvement.
- **Inflation:** Price instability and continuous increases in the prices of goods and services can impact a society's economic well-being. High inflation rates can erode the purchasing power of individuals, making it challenging for them to afford essential items.
- **Hunger:** Economic development should result in improved access to food and a reduction in hunger. Inadequate access to food, food insecurity, and malnutrition are indicators of underdevelopment.
- **Illiteracy:** The literacy rate, which measures the percentage of people who can read and write, is an important indicator of a population's education level. High illiteracy rates suggest a lack of access to education and can hinder economic development.

- **Education Standards:** The quality of education and the overall standard of the education system are crucial indicators of economic development. A poorly funded or low-quality education system can limit a society's potential for progress (Adepetun, 2018).
- **Healthcare Access:** Access to healthcare services and the quality of healthcare are essential indicators. Economic development should result in better healthcare access and outcomes, including increased life expectancy.
- **Infrastructure:** Adequate infrastructure, including transportation, communication, and energy facilities, contributes to economic development by facilitating economic activities and improving the quality of life for citizens.
- **Political Rights and Freedom of Speech:** A society's political rights and freedom of speech are indicative of its level of development. Societies with greater political freedoms tend to be more developed.
- **Life Expectancy:** An increase in life expectancy is a significant indicator of economic development, as it reflects improvements in healthcare, living conditions, and overall well-being.

These indicators collectively offer insights into the progress and development of a society or country.

### **2.2.2 Economic Growth**

Economic growth is a critical component of economic development. It involves an increase in the monetary value of all goods and services produced within an economy

during a specific time period. Economic growth is a transactional concept that quantifies the economic activities occurring within an economy. It is often measured by indicators such as Gross Domestic Product (GDP) and Gross National Product (GNP). Economic growth indicates the capacity of an economy to continuously produce goods and services over time, leading to increased economic output. However, it is essential to recognize that economic growth alone does not guarantee economic development. While a growing economy is a positive sign, the distribution of wealth and the impact on the overall well-being of the population are equally important. Several factors contribute to economic growth, including stable political systems, prudent governance, and economic stability. A stable political environment fosters investor confidence and encourages economic activities. Prudent governance ensures that resources are efficiently allocated and used for development purposes. Economic stability, characterized by low inflation and sound fiscal policies, is crucial for sustaining economic growth.

It's worth noting that economic growth is not a uniform experience for all countries. Global economic conditions, political stability, and access to international markets play significant roles in determining the pace of economic growth for individual nations. Additionally, disparities in income distribution and access to economic opportunities within a country can impact the extent to which economic growth translates into broader development and improved living standards for the population.

Some indicators of economic growth include:

- **National Income:** National income represents the total value of all new goods and services produced in a country in a given year. It is a key determinant of the rate of economic growth and provides insights into changes in income distribution and living standards.
- **Output:** Economic output measures the total value of all sales of goods and services within an economy. It is an essential indicator of economic activity and reflects the size of the economy.
- **GDP:** Gross Domestic Product (GDP) is a widely used measure of economic growth. It quantifies the total economic activity within a country and serves as an indicator of overall economic performance.
- **Government Spending:** Government expenditure can contribute to economic growth by injecting funds into the economy. Government spending can stimulate economic activities and create opportunities for job growth.
- While economic growth is a vital aspect of economic development, it should be accompanied by policies and measures that ensure equitable wealth distribution and improvements in the well-being of the entire population. Simply focusing on economic growth without considering the broader development goals may result in disparities and challenges in achieving sustainable development.

### **2.3 Understanding Globalization**

Globalization is defined by the comprehensive integration of world economies through mechanisms of trade and financial transactions. The primary driving force behind

globalization is the free market. However, to gain a deeper insight into the concept of globalization, let's examine some different interpretations of it. We do this to emphasize that globalization is not a fixed concept; rather, it takes on various meanings depending on one's perspective. According to Saliu (2013), globalization can be best described as the expansion of economic activities across national borders. This definition highlights that globalization is a process involving the integration and interdependence of economic activities among nations worldwide. On the other hand, Schneider (2004) defines globalization as a process that endows social relations with qualities that transcend geographical boundaries, making the world seem like a single interconnected place.

Bergh and Nilsson (2010) define globalization as the intensification of worldwide social relations, linking distant regions in a way that local events are influenced by distant happenings and vice versa. Giddens sees globalization as a set of processes affecting individuals in their everyday lives, regardless of their geographic location. Globalization is a process that leads to greater interdependence and mutual reflexivity among economic, political, and social entities worldwide. These definitions collectively illustrate that globalization is not a static occurrence; it is a process unfolding over time and space, marked by interdependence among various actors (Fagheh, & Afshar, 2012). This interdependence often leads to profitability, depending on one's position and policy framework. While globalization offers benefits, it also results in unequal advantages. Initially, globalization aimed to promote international cooperation and development, but the disparities it has generated have caused many to question its merits. Some argue that

today's migration patterns reflect the idea that the world has become a global village. Others contend that the unequal distribution of benefits from globalization drives young people to seek better opportunities in European countries better positioned to thrive in the global market. Büsse and Groizard (2008) even suggest that this unequal relationship has contributed to the rise of global terrorism, exemplified by the September 11, 2001, attacks in the United States and the proliferation of terrorism worldwide. The overarching aim of globalization should ideally be global cooperation that benefits all. However, many still believe that in the global age, trade relationships and profits remain asymmetrical. Globalization, propelled by technological advancements, has created unprecedented opportunities for economic growth, improved societal well-being, and the alleviation of poverty and underdevelopment. However, only countries capable of harnessing these opportunities through the development of necessary capacities and sound policies can fully benefit from globalization (Bhaskara & Krishna, 2011; Chang, Berdiev, and Lee, 2013).

In summary, there are three broad perspectives on globalization:

- Realism and its subcategories view globalization as a phenomenon rooted in government and the logic of the international system, which is somewhat chaotic.
- Liberalism perceives the international system as multicentric, with complex principles and logic, advocating for equal power distribution.
- Marxism regards globalization as central to the world, emphasizing commerce and historical production. It contends that development is linked to capacity, and

some even equate globalization with American influence (Fagheh & Afshar, 2012).

### **2.3.1 Aspects of Globalization**

Globalization can be understood through three main dimensions, each focusing on specific aspects: Economic Globalization, Political Globalization, and Socio-Cultural Globalization. Let's provide concise explanations for each of these dimensions.

#### **2.3.1.1 Economic Globalization**

Scholars of globalization argue that the integration of global markets, encompassing trade, direct investments, capital flow, labor mobility, and cultural exchange within the framework of capitalism and free markets, diminishes national borders and challenges state sovereignty. Multinational and transnational corporations play a pivotal role in this process. Critics view globalization as unrestrained global competition, benefiting rich nations while disadvantaging poor ones. Economically, globalization entails the convergence and integration of national economies into the global economy. Key characteristics include the rapid growth of global trade, trade liberalization in developing nations, technology transfer, heightened international competition, increased economic efficiency at both domestic and international levels, expanded international division of labor, greater foreign direct investment flows, financial market liberalization, and privatization. However, globalization also carries negative consequences, such as economic crises, environmental degradation (primarily by affluent nations), and intensifying disparities between rich and poor countries (Chang, Berdiev, and Lee, 2013).

### **2.3.1.2 Political Globalization**

Globalization has ushered in significant political changes. Traditionally, national governments were primarily responsible for safeguarding the security, economic well-being, human rights, and environmental protection of their citizens. They developed policies within their domestic political systems, which globalization has affected by increasing the role of international institutions and organizations, thereby restricting the autonomy of individual countries. Proponents argue that globalization can enhance democracy, human rights, and world peace at the national level. However, critics contend that it can lead to conflicts, self-serving leaders, personal gain-seeking, erosion of government authority, and greater influence of multinational corporations and foreign nations. Researchers also believe that globalization limits the economic autonomy of governments as independent political entities (Nahavandian and Ghanbari, 2004).

### **2.3.1.3 Socio-Cultural Globalization**

Many intellectuals and analysts view globalization through its cultural and social impacts. They argue that technological advancement, mass media, the internet, and satellites have compressed time and space, fostering cultural convergence and the dominance of a global culture. The consequences of cultural globalization include increased communication, reduced disparities, globalized challenges and opportunities, cross-cultural interactions, the emergence of a global identity, and the proliferation of social activities. Social globalization underpins the growth of citizenship rights, individual activities that contribute to societal advancement, economic participation, public service, volunteerism,

and other activities that enhance the quality of life for all citizens and drive economic growth (Pishgah, 2002).

### 2.3.2 Drivers of Globalization

As previously mentioned, globalization is a dynamic process driven by various factors, which we refer to as "forces." In the realm of natural sciences, particularly physics, a force is any interaction capable of altering the motion of an object when unopposed. Thus, we identify several fundamental forces that sustain and propel globalization on a global scale. They include: Advancement in technologies; Reduction in cross-trade barriers; Increase in Consumer Demand and, high competition These forces are graphically represented in the Figure 1 below. We shall consider each of these forces briefly

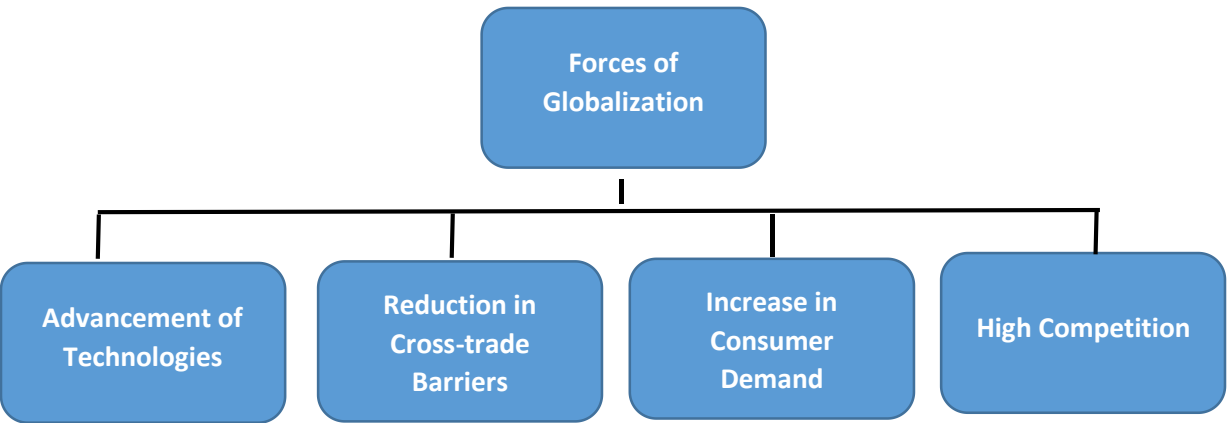


Fig. 1: Forces of globalization.

#### 2.3.2.1 Technological Advancement

Technological progress stands as one of the most pivotal forces steering globalization. In earlier times, the world had not yet grasped the potential of technology to bridge gaps between nations, trade, and travel. Beginning in the 1990s, advancements in telecommunications and information technology (IT) sparked significant changes in access to information and the intensification of economic activities. These technological leaps have catalyzed growth across various sectors of the global economy (Ghaderi, Jafari, and Karimi, 2012). Furthermore, the enhancement of technology and improved communication systems has facilitated the exchange of goods and services across geographical boundaries, surmounting obstacles that had hindered effective globalization in the past. This technological progress has, therefore, played a significant role in promoting economic globalization.

### **2.3.2.2 Reduction in Trade Barriers**

Historically, the movement of goods and services across national borders faced various forms of control and restriction. These restrictions often hindered the smooth flow of market exchanges, posing significant challenges in earlier eras (Ghaderi, Jafari, and Karimi, 2012). Such limitations on international trade, often referred to as protectionism, aimed to safeguard local businesses from unfair competition and promote domestic economies. These practices impeded globalization in its early stages. The renowned economist David Ricardo articulated these ideas in his 1817 book, "On the Principles of Political Economy and Taxation." Ricardo argued that free trade could yield comparative advantages, lower domestic prices for goods and services, and enhance the utilization of

local resources. However, with the gradual reduction of cross-trade barriers worldwide, particularly through government actions, there emerged a more favourable environment for free trade. Recent examples include Nigeria's ratification of membership in the African Continental Free Trade Area (AfCFTA) in November 2020. The AfCFTA aims to create a single continental market, facilitating the free movement of goods and services across the African continent (Anibueze, 2018).

### **2.3.2.3 Increasing Consumer Demand**

The evolving patterns of consumer behaviour, characterized by rising demands for goods and services, represent a driving force behind globalization. Informed consumers now possess an awareness of desired products and services, thanks to the pervasive influence of information communication. Improvements in living standards and increased incomes, particularly among lower- and middle-class individuals and families, have fueled global demands for goods and services. Studies demonstrate that as incomes and awareness increase, consumers pursue goods and services through various avenues. These include ordering food from supermarkets or eateries (referred to as "McDonaldization"), seeking comfort and unique experiences in new places, and engaging in online shopping (termed "Amazonization") (Ajakaiye and Adeyeye, 2002).

### **2.3.2.4 Intense Competition**

Another potent driver of globalization is heightened competition. Businesses perpetually vie for market control and larger customer bases, and this fierce competition spurs creativity. Organizations that optimize their operations and processes gain a competitive

edge, while others contend with local market challenges, labor regulations, and taxation issues. Entities with a local competitive edge may opt for business expansion, while those encountering unfavorable local market conditions may consider relocating. As organizations expand and gain market share, they export goods and services, thereby contributing to global market growth and bolstering the global economy. However, this process of expansion or relocation towards globalization is typically gradual and involves extensive documentation (Fagheh and Afshar, 2012), rendering it challenging. In some instances, this gradual internationalization leads to mergers, acquisitions, and joint ventures. Struggling businesses or those unable to compete may merge or be acquired for survival and geographical diversification. These strategic moves optimize business objectives, enhance productive capacity, and improve market share, thus stimulating increased imports and exports of goods and services, promoting international trade.

For instance, in the United States, Occidental Petroleum Corporation (OXY) acquired Anadarko Petroleum Corporation (APC) to expand its global footprint and strengthen its position in the global petroleum market (Fagheh and Afshar, 2012). In Nigeria, Access Bank merged with Diamond Bank to harness their capabilities, establish a stronger presence, create competitive advantages, and exert influence in the global banking arena (Ndiomewese, 2020). In conclusion, these factors underscore the momentum of globalization and the growth of the global economy.

## **2.4 Globalization and Economic Growth in Third World Countries**

Economic growth and its underlying causes have been significant topics in the field of economics. Economic growth, quantitatively speaking, reflects the increase in the value of goods and services produced within an economy, often measured as a percentage rise in GDP. While some countries experience high economic growth rates, others do not. Disparities exist, with some economies being affluent, while others remain impoverished. In parallel, globalization has emerged as a prominent phenomenon drawing global attention. It is a process that transcends borders, reshaping social, economic, and cultural relations. It has evolved in tandem with modernization and the development of capitalism, with recent years witnessing an unprecedented acceleration. Waters characterizes globalization as the dissolution of geographical constraints on social and cultural interactions, fostering increased awareness of these diminishing limitations among people (Ghaderi et al., 2012). Anthony Giddens defines globalization as the expansion of social and economic relations worldwide, illustrating how organizations and social networks located thousands of kilometers away can influence various aspects of people's lives (Ghaderi et al., 2012). Globalization is undeniably a complex and multifaceted process, impacting various domains, including culture, politics, and the economy. The outcomes of globalization have sparked contrasting perspectives, with some viewing it as a pathway to a new civilization and others as an encroachment on cultures and ideologies. Ford (2007) contends that globalization has led to brain drain from developing countries, with opportunities in developed nations attracting talent from impoverished regions. Critics argue that globalization primarily serves the interests of developed countries and

large corporations at the expense of developing nations and small businesses. Goldstein and Pevehouse (2011) suggest that the globalization process calls for reforms and the removal of public and legal support. However, it is essential to recognize that such governmental and legal support, labor standards, and minimum wages also serve as sources of job loss.

## **2.5 Impact of Globalization in Third World Countries**

Globalization, defined as the process of global economic, political, and cultural integration, has transformed the world into a closely connected global village, eroding traditional borders and boundaries (Economic Globalization in Third World Countries, 2002). It plays an increasingly vital role in third world countries, offering both advantages and disadvantages across economic processes, education, health systems, and culture.

### **2.5.1 Economic and Trade Processes**

Globalization has emerged as a catalyst for economic growth in third world countries. Historically, these nations faced barriers to tapping into the global economy. However, globalization has brought about significant economic opportunities. Through globalization, institutions like the World Bank and the International Monetary Fund encourage third world countries to adopt market-oriented reforms, often accompanied by substantial loans. Consequently, many of these nations have undertaken reforms, including the removal of tariffs and the liberalization of their economies. This has attracted foreign investment, creating jobs and reducing poverty (Goldstein & Pevehouse,

2011). Globalization has fostered strong economic interdependence between developed and third world countries. While developed countries benefit from third world nations' raw materials, food, and oil, the latter rely on the former for resource flows and technology (Obi, 2006). Moreover, globalization has eased the movement of goods and people, facilitating free trade and reducing the likelihood of conflicts between nations.

However, it is crucial to acknowledge that globalization has also resulted in economic disparities, with the rich getting richer and the poor experiencing heightened poverty. Despite the rapid growth of countries like China and India, substantial poverty persists in regions such as Africa (Ojukwu, 2015). Additionally, globalization has led developed countries to establish industries in third world nations, taking advantage of lower wages but often resulting in environmental pollution in regions with inadequate regulations.

### **2.5.2 Education and Healthcare Systems**

Globalization has played a significant role in enhancing education and healthcare systems in developing countries. It is evident that education has seen substantial growth in recent years, mainly because globalization has acted as a catalyst for jobs that demand higher skill sets. This increased demand has provided opportunities for people to pursue higher education. Education and healthcare are fundamental pillars for the progress of any nation, and there exists a strong connection between economic growth and the quality of these systems. As economies grow, living standards improve, and life expectancy increases in third-world countries. With increased resources, poorer nations can offer better healthcare services and sanitation to their citizens. Moreover, governments in these

countries can allocate more funds to improve education and healthcare for their underprivileged populations, leading to a reduction in illiteracy rates. This positive change is observable in many third-world nations where illiteracy rates have recently declined. It's undeniable that economic gains from globalization have contributed to an increase in living standards and life expectancy in these countries.

According to the World Bank in 2004, globalization has led to a remarkable shift. More than 85 percent of the world's population can now expect to live for at least sixty years, which is twice as long as the average life expectancy a century ago. Additionally, globalization has enabled doctors and scientists to discover and combat various diseases, including those transmitted by humans, animals, and birds, such as HIV/AIDS, swine flu, and bird flu. Today, the world possesses knowledge about these diseases and ways to prevent their spread. Globalization has also fostered the growth of international organizations like Non-Governmental Organizations (NGOs), the World Health Organization (WHO), and UNESCO, which work towards eradicating illiteracy and deadly diseases worldwide, ultimately saving lives. However, despite the positive impact of globalization on education and healthcare in third-world countries, there are potential negative consequences. Globalization has facilitated the spread of new diseases across borders due to increased trade and travel. Diseases like HIV/AIDS, Swine Flu, Bird Flu, and various plant diseases are more easily transmitted between developed and third-world nations. This poses challenges to living standards and life expectancy in these countries. For instance, the AIDS crisis has reduced life expectancy in some parts of Africa to less

than 33 years, highlighting the urgency of addressing economic problems associated with disease outbreaks. Another drawback of globalization is the migration of highly skilled professionals, including scientists, doctors, engineers, and IT specialists, from third-world countries to developed nations in pursuit of higher wages and improved quality of life for themselves and their families. This brain drain leads to a decrease in the pool of skilled labor in third-world countries.

## **2.6 Concept of Foreign Aid**

Foreign assistance is a voluntary act of support provided by donor countries, governments, private organizations, and individuals to recipient countries to foster their economic growth. One of the primary objectives of Official Development Assistance (ODA) to developing nations is to promote economic development and welfare, typically measured by its impact on economic growth (Todaro, 2009). Foreign aid can encompass financial grants, loans, technical guidance, training, equipment, and commodities such as food, healthcare, infrastructure, and transportation (Wells, 2000). Foreign aid refers not only to the transfer of capital from one country to another but encompasses all government-to-government resource transfers. Although the term "foreign aid" generally implies the flow of resources from wealthier nations to less developed or developing countries, it has, at times, included resource transfers that don't strictly qualify as foreign aid, leading to conceptual challenges (Yakubu, 2011).

The widely accepted definition of foreign aid encompasses all official grants and concessional loans, whether in currency or kind, aimed at transferring resources from

developed to less developed nations for the purposes of development and income redistribution (Tadess, 2011). The United Nations (2009) defines economic aid as grants and long-term loans for non-military purposes provided by governments and international organizations. Mosley, Jane, and John (1991) assert that foreign aid involves the transfer of real resources from one country to another, a transfer that would not occur naturally due to market forces or the absence of specific official actions promoting such transfers. Foreign aid encompasses not only direct government transfers but also resource transfers facilitated by special official actions, such as government guarantees. The Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) (1998) contributes to the definition by focusing on Official Development Assistance (ODA), which must meet three key criteria: it must be undertaken by official agencies, have the primary objective of promoting economic development and welfare, and possess a grant element of at least twenty-five percent.

A distinction can be made between bilateral and multilateral aid. Bilateral aid constitutes a two-way transfer, with capital flowing from a developed nation to a developing country. Bilateral aid often aligns with strategic political considerations and humanitarian goals, supporting long-term projects aimed at promoting democracy, economic growth, stability, and development. Conversely, multilateral aid involves a coalition of countries and/or organizations providing assistance to a specific country. It consists of funds pooled by many governments and directed towards international organizations like the World Bank, United Nations, and International Monetary Fund, which then utilize these funds to

alleviate poverty in developing nations (Omidvar & Daryabeigi, 2011). Pishgah (2002) highlights another form of foreign aid, specifically food aid. This form of aid includes programs on food aid and humanitarian food aid, which relieve foreign exchange constraints by providing necessary intermediate inputs and fiscal resources through counterpart funds generated by the local sale of program food aid. These resources can be invested in agricultural research, extension, and rural infrastructure improvement. However, it's worth noting that program food aid can have negative effects on domestic food producers, potentially harming the food sector's competitiveness in global markets. Furthermore, Gurgul and Lach (2014) acknowledge that developing nations often benefit from technical aid. Technical Assistance (TA) involves the provision of skills, knowledge, know-how, and advice. For many decades, technical assistance has also been provided through the placement of teaching staff, particularly in primary and secondary education in developing countries. Additionally, specialized trainers continually offer skills training to meet specific needs and achieve immediate objectives. For instance, the London-based Overseas Development Institute (ODI) administers a fellowship scheme for graduate economists, placing them in key ministries within developing countries. Project Aid, despite experiencing a decline in Official Development Assistance (ODA), continues to support specific projects. This form of aid predominantly allocates funds to interventions in sectors such as health, education, rural development (including agriculture), transport, power, housing, and water supply and sanitation. While a smaller proportion of project aid is directed towards industrial, mining, trade, and cultural projects (Gurgul & Lach,

2014), many ODA-funded development projects aim to achieve specific outcomes by providing resources, skills, and systems tailored to the recipient country's needs.

Additionally, Büsse and Groizard (2008) define Humanitarian Aid or Emergency Aid by its purpose: to save lives, alleviate suffering, and enable those in distress to maintain their human dignity during and after natural disasters and man-made crises. Humanitarian aid has generally been successful in achieving tangible results, including saving lives, providing food to the hungry, delivering healthcare and medicines to those vulnerable to acute diseases during emergencies, and offering water, sanitation, and shelter to those whose homes have been destroyed. However, prolonged internal conflicts in regions prone to war can divert resources away from development objectives as more resources are directed towards meeting humanitarian needs. This research aligns with the various concepts of aid elucidated in this section.

## **2.7 Foreign Aid and Its Impact on Economic Development in Nigeria**

Foreign aid typically comprises grants and loans provided by one nation (the donor country) to another (the recipient country) with the aim of promoting economic well-being. These grants are generally administered by the official sector. In the context of developing nations, particularly in Africa, foreign aid plays a pivotal role in addressing the core challenge of capital formation, which is crucial for fostering economic growth and development. The concept of foreign aid emerged in the 1940s, stemming from the aftermath of World War II. The devastating impact of the war led to the disintegration of international economic systems, resulting in a severe shortage of capital necessary for

rebuilding infrastructure (Ashurizadeh, Maqdasi & Razavi, 2013). Bhaskara and Krishna (2011) emphasize that foreign aid continues to serve as a significant income source for many low-income African countries. It is imperative to assess its implications for these nations' efforts to stimulate economic growth. However, it is disheartening that in today's developing countries, particularly in Africa, there's a prevailing perception among both leaders and citizens that development hinges solely on foreign aid and donations, rather than on domestic initiatives. Despite Africa's considerable development challenges, including inadequate resources and the struggle to feed its populace and create a conducive environment for progress, the necessity of foreign aid in these regions remains undeniable. This need has become even more pressing today, given the soaring costs of fuel and food (Bhaskara & Krishna, 2011).

In the case of Nigeria, foreign aid initiatives date back to its post-independence era in 1960. Notably, USAID extended grants to four prominent U.S. state universities, including Michigan State, Wisconsin State, Kansas State, and Colorado State. These grants aimed to establish colleges of agriculture within four Nigerian universities: the University of Ibadan, University of Nigeria-Nsukka, Ahmadu Bello University in Zaria, and the University of Ife (USAID, 2004). Over time, there has been a growing call from many developing nations for an increase in official development assistance (ODA) to improve the living standards of their citizens. Simultaneously, developed nations, international organizations, and philanthropists have made significant contributions of development aid to these countries, Nigeria included (Anibueze, 2018). Nigeria, a

country grappling with low income levels, high unemployment rates, underutilized industrial capacity, and pervasive poverty, has benefited from humanitarian aid that has played a crucial role in saving lives, providing free healthcare services to the sick and marginalized, and supplying medicines to those vulnerable to diseases during emergencies. Foreign aid is regarded as indispensable for the development of both Africa and Nigeria. It is seen as a means to augment capital for economic growth and investment, reduce poverty, elevate living standards, facilitate the transfer of skills, technologies, and production methods, diversify products, and generate employment opportunities (Anibueze, 2018).

However, despite the acknowledged importance of foreign aid to the development of emerging economies, research in this field has yielded a spectrum of findings and conflicting opinions. Studies by Olofin (2013), Andrews (2009), Girma (2005), UNDP (2000), and Cassen (1986) have converged on a shared observation: although aid has been extended to various African countries, it remains challenging to discern a clear distinction between their level of development before and after the receipt of aid. Additionally, a study conducted by the second scholar in 2005, spanning 27 years across 25 sub-Saharan African countries, indicated that aid had little to no significant effect on the economic growth of these nations. The United Nations Development Programme (UNDP) (2000) underscored that while growth may impact a country's GDP, it does not necessarily imply development growth. Notably, some research has contended that the impact of aid is more noticeable when examined from a micro-level perspective, where it

can be substantial for both economic development and growth. However, when evaluated on a macro scale, its influence becomes less discernible and fails to exert a significant impact (Asogwa & Okoli, 2008). Foreign aid has a pivotal role in bolstering economic development in Nigeria and other developing countries. It addresses critical issues such as capital formation and infrastructure development. However, its effectiveness remains a subject of debate and varying research findings. The impact of foreign aid may be more pronounced when assessed at a micro level but may appear less substantial at a macroeconomic level. It is important to acknowledge the multifaceted nature of foreign aid and its potential to affect various aspects of development, including living standards, education, and healthcare.

## **2.8 Factors Influencing Economic Growth in Developing Nations**

Economists have employed theoretical frameworks and empirical research to elucidate the determinants of economic growth. Anibueze (2018) conducted extensive empirical investigations to scrutinize established hypotheses. This study adopts the empirical growth model introduced by Barro (1996) and employs more recent data to assess whether the economic growth theory that held true for the majority of countries in his sample also applies to a set of developing nations. Bergh and Nilsson (2010) conducted a comprehensive analysis of 100 countries from 1960 to 1990 to identify the factors influencing economic growth. They discovered that the growth rate of real per capita GDP was linked to factors such as the rule of law, limited government expenditure, longer life expectancy, increased male secondary and higher education, reduced fertility

rates, higher investment levels, democracy, lower inflation, and trade openness. They also stressed the theory of convergence, suggesting that as real GDP levels increase, the growth rate tends to decline. Despite receiving international aid and support, developing countries have faced economic traps impeding their growth and prosperity. These traps include conflicts or wars, rent-seeking related to natural resources, overreliance on a single neighboring country, and the absence of the rule of law (Baek, Baek, & Xingwan, 2017). Although real per capita GDP growth in developing countries exceeded the global average, their socioeconomic conditions remained subpar. This was partly due to weak institutions, low levels of human and physical capital, conflicts, poverty, low productivity, limited international trade, and heavy dependence on external assistance. Given their low real per capita GDP, the theory of convergence, often termed "catching up," should theoretically apply. In fact, this seemed to hold true, as they exhibited higher growth rates compared to developed nations (Büsse & Groizard, 2008).

Foreign direct investment (FDI) has been a significant source of external funding for both developing and developed countries. Its impact on economic growth has been widely debated, with both positive and negative perspectives. While most economists and policymakers believe that FDI stimulates technological investment, augments the capital stock, and boosts employment, concerns have been raised about its potential to crowd out domestic investment and reduce competition in local markets. Dangana (2011) observed a positive correlation between the productivity of multinational enterprises and labor productivity in domestic firms within the same industry. This phenomenon was attributed

to increased competition and continuous improvement brought by foreign investment to the domestic market. FDI can also yield benefits beyond the receiving industry, extending to other domestic sectors through spillover effects such as enhanced human capital and technological advancements (Dangana, 2011). While optimism surrounds the role of FDI in economic growth, some pessimism remains. Thus, understanding how FDI affects the economies of the least developed countries is crucial.

International trade is a catalyst for economic growth in both importing and exporting countries. A positive relationship between international trade and economic growth has been widely acknowledged. Djokovic and Vangelis (2008) found a strong correlation between higher economic growth rates and increased export growth. This positive correlation held true for both middle and low-income countries. Sachs and Warner (1995) observed that open developing economies consistently outperformed closed counterparts in terms of real GDP growth. Even in poorer nations, trade openness fostered productivity growth and human capital development (Garcia, 2006). However, least developed countries, heavily reliant on primitive agriculture, may be more susceptible to shocks. Abundant natural resources, such as oil and diamonds, have the potential to bolster a nation's wealth through production and sales. Nevertheless, many African countries, despite their resource wealth, have not experienced substantial GDP growth (Sachs and Warner, 1995). This may be attributed to a phenomenon known as the "natural resource trap." Resource exports lead to currency appreciation, rendering other exports more expensive—a situation often referred to as "Dutch Disease." Additionally,

diverting human and physical capital from other sectors to resource production can stifle overall economic diversification (Collier, 2007). Furthermore, resource sales can fuel corruption and rent-seeking behavior, exacerbating the problem in developing countries in Sub-Saharan Africa, which possess significant natural resources but exhibit very low per capita GDP levels.

Goldstein and Pevehouse (2011) identified a linear inverse relationship between initial debt levels and subsequent growth in emerging and advanced economies. The impact of high debt was less pronounced in developed economies. Their findings indicated that only very high levels of the debt-to-GDP ratio significantly impeded economic growth. Clements, Bhattacharya, and Nguyen (2003), on the other hand, suggested that substantial reductions in external debt for highly indebted poor countries would lead to a direct increase in per capita income growth by about one percentage point annually. Goldstein and Pevehouse (2011) concluded that larger and wealthier countries had greater access to credit, borrowing larger amounts more frequently. Due to limited access to external credit, most developing countries have relied on unilateral transfers of international funds for development. In 2015, the World Bank reported that countries in the Organization for Economic Co-operation and Development (OECD) contributed approximately \$130 billion USD to developing nations as Official Development Assistance. Minoiu and Reddy (2009) found that development aid, in contrast to non-development aid, had positive and enduring effects on subsequent growth, albeit with

significant time lags. In the short term, such aid had no discernible impact on growth and development.

Improvements in life expectancy are closely linked to disease control and better health, with direct consequences for population growth. Acemoglu and Johnson (2006) cast doubt on the assertion that unfavorable health conditions are the primary cause of poverty in some countries, but they do agree that health improvements can lead to economic amelioration. Cervellati and Sunde (2009) predicted that enhanced life expectancy fosters human capital accumulation and positively influences income generation. Education levels are widely recognized as a determinant of economic growth. Barro (1999) found that each additional year of schooling increased a country's growth rate by 0.7 percent annually. Investments in human capital enhance workforce productivity and overall productivity levels. Al Nassar (2007) underscored that a worker's education level reflects their human capital and is directly linked to productivity. Corruption and poor governance pose substantial obstacles to a nation's economic well-being. Mauro's study of 67 countries concluded that reducing corruption by one standard deviation resulted in a 1.3 percentage point increase in annual economic growth (Johnson & Olaniyan, 2017). Developing countries characterized by diverse backgrounds, cultures, languages, and customs are particularly vulnerable to corruption. Empirical models can validate these claims, examining their applicability to both developing and developed economies.

## **2.9 The Challenges Faced by Third World Countries in the Global Economy**

In recent decades, the global economy has experienced rapid growth, particularly in international trade. This expansion of international trade has been a driving force behind global economic growth, facilitating the integration of national economies into a cohesive global system. This integration has led to significant increases in trade between countries and corporations. The growth in international trade can be attributed to both technological advancements and concerted efforts to reduce trade barriers among nations. While some third world countries have embraced this trend and opened up their economies to benefit from international trade, many others have not, resulting in shared challenges that hinder their effective integration into the global market. Consequently, these third world countries are struggling to harness the full potential of the global market compared to their more economically developed counterparts.

### **2.9.1 Economic and Political Instability**

Political instability is a common issue in many third world countries. The lack of a stable, autonomous, and independent government has had detrimental effects on the overall cohesion and stability of these nations. Political institutions in these countries have often been fragmented and unstable, leading to divisions among the local population along ethnic, religious, and political lines. Additionally, these countries have frequently experienced excessive foreign intervention, further exacerbating political instability. For instance, historical events like the U.S. intervention in the Dominican Republic in 1965 and its involvement in the Somali Civil War from 1992 to 1995 have contributed to ongoing political volatility (Gurgul & Lach, 2014). Furthermore, corruption, clientelism,

and abuse of power are rampant in the governments of many third world countries. Elite non-state actors often exploit government resources and projects, while the absence of a robust rule of law leaves these governments weak, unstable, and vulnerable to political and economic risks. As a result, these countries face a high frequency of political risks, including coups, unstable political systems, and civil and military conflicts. Such instability discourages Foreign Direct Investment (FDI), as political volatility can undermine the profitability of foreign investments that require stable political and economic environments (Kolawole & Torimiro, 2006).

### **2.9.2 Lack of Transparency, Accountability, and Enforcement of Rules**

Many third world countries struggle with issues related to transparency and accountability within their corrupt and non-democratic political systems. These systems often prioritize the interests of a limited number of citizens over the broader welfare of the entire population. Consequently, governments and public institutions fail to provide adequate public services or invest in strategies that promote overall community development. For example, in some African countries, funding for public institutions, such as hospitals and schools, is prioritized for salaries at the expense of materials and equipment, leading to poor service quality (Kolawole & Torimiro, 2006). Moreover, the third world countries often face difficulties in implementing and enforcing regulations and policies. Despite increased government spending on education in some African countries, there are serious deficiencies in the execution of educational policies. This lack of effective policy implementation hinders progress in areas like education (Kolawole &

Torimiro, 2006). In contrast, countries with robust enforcement environments for regulations, transparency, and accountability tend to build strong reputations in the global market and effectively participate in the international economy, fostering economic growth (Mahdavi, Jahangard & Khataie, 2010).

### **2.9.3 Lack of Investment in Human Capital, R&D, and Absorptive Capacity**

The accumulation and development of human capital are crucial drivers of transformation and growth, particularly in less developed countries. Unfortunately, many third world countries fall short in terms of investing in research and human capital development. This lack of investment in skills, education, and quality of public education means that government spending on education does not align with the market's current demands, resulting in inadequate skill development and low-quality education in public schools and universities (Nahavandian & Ghanbari, 2004). Moreover, these countries often neglect investments in training for unemployed workers, hindering workforce development and competitiveness. Firms in these countries may avoid investing in workforce training due to the fear of "free-riding," where competitors benefit from their investments in skilled workers. High worker turnover rates in third world countries exacerbate this issue (Schneider, 2004). Additionally, many third world countries lag behind in technological capabilities and human capital accumulation compared to more developed nations. While some countries have successfully focused on building innovative capacity and skills, others have struggled to keep pace with global technological advancements. This disparity in competitiveness can be attributed to the lack of emphasis on technological

capabilities and human capital development within these countries (Collier & Gunning, 1999).

#### **2.9.4 Absence of Economic Diversification in the National Economy**

Many third world countries have historically been reluctant to embrace international trade and the global market fully. This reluctance has resulted in a lack of economic diversification within their national economies. These countries have often concentrated on exporting low-value-added raw materials, which has limited their economic growth potential. The governments of some of these countries have also believed that they can allocate resources more effectively than the market, further hindering economic diversification (Nahavandian & Ghanbari, 2004). Furthermore, the third world countries have become overly reliant on the export of primary goods, leading to limited opportunities for portfolio diversification. This overreliance on commodity exports has discouraged investments in higher-end skills and has led to a neglect of human capital development. As a result, these countries struggle to compete effectively in the global market and face challenges when attempting to catch up with more developed nations (Schneider, 2004).

#### **2.10 Strengthening Domestic Capacity for Structural Transformation and Its Financing**

The Addis Ababa Action Agenda outlines a vision for the development process and the mobilization of corresponding financial resources. It emphasizes that countries bear the responsibility of leading their national development, asserting ownership over it, and mobilizing the necessary resources for funding. The international community commits to

supporting countries in their development endeavors, especially concerning financing. The Agenda underscores the importance of cohesive, nationally-owned sustainable development strategies supported by integrated national financing frameworks. It reaffirms that each country holds primary responsibility for its own economic and social development (United Nations, 2015b). This highlights the central role of states in steering the achievement of the Sustainable Development Goals (SDGs) and securing the required financing for investments and expenditures essential for goal attainment. On the domestic front, realizing the 2030 Agenda necessitates competent governments, public institutions, meaningful partnerships, and the development of country-specific plans and roadmaps to ensure sustainable progress. This poses questions about the capacity of states to fulfill their assigned roles.

State capacity assumes paramount importance for several reasons. Firstly, the 2030 Agenda entrusts states with the implementation of the SDGs. The broad scope and complexity of these goals, along with their accompanying indicators, demand a high level of state capacity. This capacity encompasses the ability to formulate and implement public policies in economic, social, and environmental domains as part of comprehensive long-term development strategies. It entails proficiency in analysis, planning, financing, resource mobilization, and policy evaluation. Crafting long-term development plans, defining clear national development strategies, and effectively executing development policies necessitate robust institutions and efficient bureaucracies capable of marshaling the requisite political, economic, and financial resources to execute development projects.

Secondly, achieving the SDGs requires the structural transformation of economies, a point emphasized in The Least Developed Countries Report (UNCTAD, 2014b). In the context of underdevelopment, this transformation is most effectively achieved through the guidance of a developmental state – one that is ideologically committed to development and earnestly utilizes its administrative and political resources to advance economic development (UNCTAD, 2009). This calls for the capacity to design and implement policies aimed at transforming the economy's productive structure in line with a normative concept of structural transformation. Thirdly, there exists a connection between state capacity and the fulfillment of human rights, including the right to development. The United Nations High Commissioner for Human Rights asserts that a people-centered approach to policy reform necessitates concrete action to enhance the state's role and responsibilities in securing freedom from fear and want (Tansey, 2004).

The imperative of structural transformation is particularly pronounced in least developed countries (LDCs), most of which are in the initial stages of transformative change. Consequently, the obstacles they face are particularly daunting. Economic growth is instrumental in transitioning away from aid dependency, with structural transformation serving as the primary long-term solution for alleviating dependence on primary commodities, enhancing productive capacity, bolstering competitiveness, and augmenting domestic resource mobilization. Achieving this objective necessitates a macroeconomic policy framework conducive to development (UNCTAD, 2018c). There is a reciprocal relationship between state capacity and the stage of socioeconomic development (Saliu,

2013; Razavi & Salimi, 2013). Generally, state capacity in LDCs is hampered by their early socioeconomic development stage. State capacity is understood in various ways within different contexts. It encompasses a state's ability to ensure its sovereign functions, such as enforcing security, maintaining peace and order, and upholding the rule of law. Often, donor countries focus their assistance to several LDCs on strengthening these aspects (Kharas et al., 2014). However, security-centric emphasis tends to be reactive and short-term, lacking a comprehensive, long-term vision for the development process. While security concerns deserve attention, long-term solutions to the issues underlying these concerns require the holistic strengthening of states and their capacities. This goes beyond sovereign functions and includes the critical development functions of states. Aid and external assistance are most effective when they contribute to building and enhancing developmental states, irrespective of whether security concerns are prevalent at the time. Thus, there is a need to reinforce state capacity for economic planning, policy formulation, and execution (Omidvar & Daryabeigi, 2011). This also underscores the importance of strengthening state capacity to mobilize financial resources for structural transformation and broader development efforts, both domestically and externally, with the former referred to as fiscal capacity (Besley and Persson, 2009; Besley and Persson, 2013; Bräutigam, 2008). This section concentrates on state capacity concerning steering the structural transformation process and, specifically, the need to mobilize and allocate the required financing for investments and expenditures driving structural transformation.

For LDCs to achieve structural transformation, they must mobilize and allocate financing for long-term investments in new productive sectors and activities, as well as invest in the technological and organizational improvement of existing sectors and productive units. Additionally, they must allocate financing for current expenditures related to structural transformation (Omidvar & Daryabeigi, 2011). These financial requirements exist at micro, meso, and macro levels. State capacity is pivotal in ensuring the availability of financing at these three levels, either directly or indirectly. Micro-level financial availability falls under the purview of financial policies, and possibly, monetary policies. Conversely, the macro level necessitates the ability to establish development-friendly macroeconomic policies, formulate national development finance plans and strategies, and explore options for financing different sectors, types of projects, and activities aligned with the SDGs.

LDCs require proactive foreign policy stances that safeguard creativity and national control over external support. The prospects and tools for negotiations between states and external financing sources vary depending on the source. For example, enhancing the developmental impact of worker remittances is primarily contingent on financial policies, regional and rural development policies, and the indirect effects of policies (UNCTAD, 2012). Moreover, the contribution of Foreign Direct Investment (FDI) to the structural transformation of a host country heavily hinges on the innovativeness of sectors and activities it targets, as well as the linkages and integration of multinational enterprises within the host country's domestic economy. These aspects are influenced by fiscal

policies, policies governing external investment within the host country, and direct negotiations that often occur between prospective external investors and national, regional, or local governments, resulting in agreements. State capacity plays a pivotal role in steering FDI towards developmental outcomes. In LDCs, state capacity is pivotal in shaping the contribution of official external financing to structural transformation, given the prevalent state of aid dependency analyzed in this report (Omidvar & Daryabeigi, 2011). The role of the state is crucial not only in traditional aid but also in other development financing associated with non-state actors in the new aid architecture, as well as development finance originating from South-South cooperation. States must possess the institutional capabilities and skills to assess and evaluate the development impact of alternative external financial flows, including their financial, institutional, and political costs, along with explicit and implicit liabilities, to evaluate their relative merits. In light of these evaluations of alternative financial flows, LDCs must engage in negotiations with source institutions. The resulting financial flows typically result from negotiations between source institutions and domestic recipient institutions, as well as the decision-making process. Both factors determine priorities and where and how external official resources will be allocated (Jackson & Sorensen, 2006). This process shapes the terms and conditions under which external resources enter an economy, as well as the ensuing outflows in the form of factor payments, capital repatriation, and more. There exists a virtuous cycle between developmental leadership and a strong negotiating position concerning external financing sources. Governments that place a strong

emphasis on development tend to achieve higher levels of human and economic development performance, which subsequently positions them to negotiate from a stronger stance (Jackson & Sorensen, 2006). A more robust negotiating position, in turn, empowers governments to secure better deals, thereby obtaining external financing aligned with their national development priorities and offering improved conditions.

The importance of state capacity in LDCs has become even more pronounced in light of the evolving aid architecture. As suggested in this report, this architecture has grown more complex, less transparent, and challenging to navigate. This complexity arises from the increasing number of actors, instruments, financing modalities, and growing intricacies that often blur the distinctions between concessional and non-concessional finance or between private and official funds. This complexity can potentially hinder adequate monitoring of various transactions. LDC institutional capacities are further challenged by the increasing complexity associated with addressing ongoing issues related to aid effectiveness. These issues include the persistent volatility and unpredictability of aid flows, the prevalence of tied or informally tied aid, and fragmentation, among others (Okeke, 2018). There is a risk that the advantages of accessing a broader range of financial instruments in international markets may be outweighed by capacity constraints in assessing, monitoring, and managing associated risks. Furthermore, the allocation of external resources often occurs without the involvement and awareness of recipient states, frequently in the context of private sector engagement. These developments elevate the importance of building capable and

efficient LDC state institutions equipped with the necessary skills to comprehend trends in aid architecture and international resource flows. These institutions must also be able to implement strategies and establish the necessary structures to channel flows to their countries effectively, maximizing development impacts.

Despite the pivotal role states play in mobilizing and steering development finance, the new aid architecture predominantly overlooks recipient state agency. There is limited evidence of systematic involvement by recipient countries in the design or implementation of private sector engagement. This not only undermines the role of LDC governments in their national development but could further erode their capacity. This erosion could negatively affect their effectiveness in domestic resource mobilization and weaken the social contract between states and citizens that underpins taxation systems (Okeke, 2019). While inclusiveness is often interpreted as encompassing an increased voice for domestic civil society and the private sector, the effectiveness and meaningful outcomes of such strategies hinge on the responsiveness and capability of the state. Finally, on the domestic front, ensuring financing for sustainable development necessitates strengthening state capacity to mobilize domestic resources, especially through the establishment of institutions and bureaucracies focused on designing and implementing fiscal policies..

## **2.11 Theoretical Framework**

This research draws upon the Social Constructivist Theory as one of its foundational theories. According to this theory, the actions of states are influenced by their identities

and interests (Weber, 2005). Social Constructivism, within the realm of International Relations, examines how actors define their national interests, perceive threats to those interests, and navigate their relationships with other actors (Ujara and Ibietan, 2014). Goldstein and Pevehouse (2011) assert that Constructivism acknowledges the presence of power in the international system but places a greater emphasis on social interactions driven by perception. In essence, the Constructivist theory explores the interconnectedness of state interests and identities, shaped by their interactions with other states. As explained by Jackson and Sorensen (2006), Constructivism focuses on human consciousness and its role in world affairs. Slaughter (2011) adds that states' behaviors are heavily influenced by perceptions of allies and adversaries, in-groups and out-groups, as well as notions of fairness and justice. While some Constructivists acknowledge that states act in their self-interest and rationality, they emphasize that varying identities and beliefs underlie the concept of rationality in how states pursue goals like survival, power, or wealth.

Wendt (1995), as cited in Weber (2005), outlines the fundamental principles of this theory thus:

- People act based on the meanings attributed to objects, including other actors, known as social knowledge.
- Meanings that guide actions are derived from interactions, termed social practice.
- Identities (and interests) are shaped through 'situated activity,' leading to the formation of social identities and interests.

In the context of this paper, which assesses how domestic politics in Nigeria affect the country's foreign policy objectives, the implications of the Social Constructivist Theory are evident. It suggests that Nigeria's political and economic realities significantly influence the nature and extent of its international relations. These identities and perceptions play a crucial role in how Nigeria is perceived by other state actors in the global arena and shape the roles of its citizens in achieving foreign policy objectives.

### **2.11.1 New Growth Theory**

The New Growth Theory, also known as endogenous growth theory, emerged in the 1990s to explain why many less developed countries were not seeing expected growth despite implementing policies aligned with neoclassical theories. Unlike the Solow model, which treats technological change as an external factor, the new growth model emphasizes that technological change is often generated within developing nations themselves. Key proponents of this theory, including Howitt, Lucas, and Aghion and Romer, link technological change to knowledge creation. According to this view, economic growth comes from increasing returns to the use of knowledge rather than just labor and capital. It argues that the expected high returns suggested by the Solow model are reduced by insufficient investments in areas like education, infrastructure, and research and development. What sets knowledge apart is its unlimited growth potential and the ability to be reused without additional costs. Therefore, investing in knowledge creation can lead to sustained growth, and knowledge can also benefit other firms once acquired, creating spillover effects.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

This chapter deals with methods adopted in carrying out this study. It shall be discussed under the following sub-headings:

Design of the Study; Population of the Study; Sample and Sampling Technique; Research Instrument; Validity of the Instrument; Reliability of the Instrument; Method of Data Collection and Method of Data Analysis

#### **3.1 Design of the Study**

This study is a descriptive research based on the survey design. Descriptive survey design was considered appropriate for this study because the study only observed the Foreign and Domestic Economic Development in Third World Countries using the Nigeria nexus' and no variable was manipulated. It would also afford the researcher to use representative samples that captured the entire population of the study.

#### **3.2 Population of the Study**

The population for this study includes selected academic staffs from the department of political science and economics in the University of Benin, Benin City, Edo State.

#### **3.3 Sampling and Sampling Techniques**

Twenty (20) respondents from the departments of political science and economics were selected for this study. These lecturers from the department of political science and economics who holds the knowledge on the research area regarding the concept of economic development as influenced by foreign and domestic policies would be used.

The purposive sampling technique was used to select respondents from the two (2) sampled departments.

### **3.4 Research Instrument**

The research instrument used in this study was the Questionnaire. The questionnaire was structured into sections A and B. Section A consists of the demographic data of the school. Section B consists of the questions formulated for the study. The section was divided into four clusters; Cluster 1, Cluster 2, Cluster 3 and Cluster 4. The response format for the four (4) clusters was a four likert scale requiring the respondents to answer either Strongly Agree (SA), Available (A), Agree (A) Disagree (D) and Strongly Disagree (SD).

### **3.5 Validity of the Instrument**

The instrument was studied and appraised by the project supervisor to ensure that the items adequately measured the purpose of the study. The final instrument was prepared taking into consideration the correction made.

### **3.6 Reliability of the Instrument**

To ensure the reliability of the instrument, the test-retest method was used. This was done by administering questionnaires to three persons from the sample selected. After two weeks, the same instrument was administered to the same respondents and analyzed using Pearson's Product Moment Correlation Coefficient. The result was 0.83 which proved the reliability of the instrument.

### **3.7 Method of Data Collection**

The researcher administered the questionnaire directly to the respondents and they were retrieved from the respondents after the questionnaires had been answered.

### **3.8 Method of Data Analysis**

For the purpose of this study, the statistical tool of mean and standard deviation was used to analyze the data collected. The mean rating of 2.50 was used for decision point, such item less than 2.50 was rejected, while any item rating equal or above 2.50 was accepted.

## CHAPTER FOUR

### DATA ANALYSIS AND DISCUSSION OF FINDINGS

This chapter focuses on data analysis and discussion of findings. The chapter is divided into three sections. Section A deals with demographic data of respondents, Section B is on research questions, and section C deals with the discussion of findings.

#### 4.1 Presentation of Results

**Table 4.1: Number of Questionnaires**

<b>Questionnaires Administered</b>	<b>20</b>
Number of Questionnaires Returned	19
<b>Total (Questionnaire Used for Analysis)</b>	<b>19</b>

#### Section A: Demographic Data

**Table 4.2: Percentage Distribution of the Respondents' Sex**

<b>Sex</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Male	12	52.8
Female	7	47.2
<b>Total</b>	<b>19</b>	<b>100.0</b>

**Source:** Field work, 2024

The above table shows percentage and frequency distribution of the sex of the respondents. Male respondents are 12 making 52.8% of the respondents, while the female

respondents are 17 making 47.2% of the respondents. This show that there are more male respondents than female respondents.

**Table 4.3: Percentage Distribution of Respondents’ Age group**

Age	Frequency	Percentage (%)
25 & Under	4	17.0
26-35	6	25.0
36-55	5	36.0
Above 55	4	28.0
<b>Total</b>	19	100.0

**Source:** Field work, 2024

The above table shows percentage and frequency distribution of the age group of the respondents. 17.0% of the respondents are within the age group of 25-30, 25.0% of the respondents are within the age 31-35, 36.0% of the respondents are within the age 36-40, while 28.0% of the respondents are within the age group 41 and above.

### **Section B: Answering the Research Questions**

**Research Question One:** What are the Factors Affecting Economic Development of Third World Countries?

**Table 4.4:** Factors Affecting Economic Development of Third World Countries (N=19)

Item	SA	A	D	SD	Mean (X)	SD	Decision
Political stability and good governance positively influence economic development in third world countries	8	6	3	2	2.51	0.69	Accepted
Foreign direct investment contribute to the economic growth of third world countries	10	6	2	1	2.67	0.58	Accepted
Areas of infrastructure development and investment is effective in	9	7	2	1	2.54	0.76	Accepted

enhancing economic development in third world countries							
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From the above table, it is observed that the mean ranges from 2.51 to 2.67 with an average mean of 2.67, while the standard deviation ranges from 0.69 to 0.76 to give a decision that political stability and good governance positively influence economic development in third world countries, foreign direct investment contribute to the economic growth of third world countries, and areas of infrastructure development and investment is effective in enhancing economic development in third world countries.

**Research Question Two:** What are the Impact of Globalization on the Economy of Third World Countries?

**Table 4.5: The Impact of Globalization on the Economy of Third World Countries (N=19)**

Item	SA	A	D	SD	(X)	SD	Decision
Access to quality education and skill development impact the economic development of third world countries	11	5	2	1	2.60	0.63	Accepted
Technological advancement and innovation is germane in driving economic development in third world countries	10	7	1	1	2.81	0.57	Accepted
Increased international trade positively affected the economic growth of third world countries	9	5	4	1	2.78	0.79	Accepted
Globalization led to income inequality in third world countries	4	7	5	3	2.05	0.69	Rejected

From the above table, it is observed that the mean ranges from 2.05 to 2.81, with an average mean of 2.79, while the standard deviation ranges from 0.57 to 0.79 to give a decision that access to quality education and skill development impact the economic development of third world countries, technological advancement and innovation is

germane in driving economic development in third world countries, and increased international trade positively affected the economic growth of third world countries.

**Research Question Three:** What are the Impact of Foreign Aid on the Economy of Third World Countries?

**Table 4.6: Impact of Foreign Aid on the Economy of Third World Countries (N=19)**

Item	SA	A	D	SD	(X)	SD	Decision
Globalization has facilitated the inflow of foreign aid and development assistance, contributing to poverty reduction and human development outcomes in Third World countries	10	7	1	1	2.81	0.59	Accepted
Foreign aid effectively alleviates poverty and improves living conditions in third world countries	9	5	4	1	2.78	0.79	Accepted
Foreign aid contributes to the development of private sector enterprises and entrepreneurship in third world countries	8	6	3	2	2.51	0.66	Accepted
Foreign aid facilitates the diversification of the economy and stimulates industrialization in third world countries	10	6	2	1	2.67	0.58	Accepted

From the above table, it is observed that the mean ranges from 2.51 to 2.78, with an average mean of 2.51, while the standard deviation ranges from 0.58 to 0.79 to give a decision that globalization has facilitated the inflow of foreign aid and development assistance, contributing to poverty reduction and human development outcomes in Third World countries, foreign aid effectively alleviates poverty and improves living conditions, foreign aid contributes to the development of private sector enterprises and entrepreneurship, and foreign aid facilitates the diversification of the economy and stimulates industrialization in third world countries.

**Research Question Four:** What are the Barriers Facing the Foreign and Domestic Economic Growth of Third World Countries?

**Table 4.7: Impact of Foreign Aid on the Economy of Third World Countries (N=19)**

Item	SA	A	D	SD	(X)	SD	Decision
Lack of access to adequate financial resources is a significant barrier to the economic growth of third world countries	7	5	4	3	2.56	0.69	Rejected
Insufficient infrastructure development hinders both foreign and domestic economic growth in third world countries	8	6	3	2	2.77	0.66	Accepted
Political instability and conflicts pose substantial barriers to foreign and domestic economic growth in third world countries	10	7	1	1	2.83	0.59	Accepted

From the above table, it is observed that the mean ranges from 2.56 to 2.83, with an average mean of 2.77, while the standard deviation ranges from 0.56 to 0.69 to give a decision that lack of access to adequate financial resources, insufficient infrastructure development and political instability and conflicts pose substantial barriers to foreign and domestic economic growth in third world countries.

## 4.2 Discussion of Results

Research question 1 sought to determine the factors affecting economic development of third world countries. It was found that that political stability and good governance positively influence economic development in third world countries, foreign direct investment contribute to the economic growth of third world countries, and areas of infrastructure development and investment is effective in enhancing economic development in third world countries. This findings agree with Barro & Lee, (2013) who found out that domestic factors such as political stability, governance, and institutions

heavily influence economic development outcomes. They also stated that effective governance ensures that resources are allocated efficiently and corruption is minimized, fostering an environment conducive to economic growth.

Research question 2 sought to examine the Impact of Globalization on the Economy of Third World Countries. It was found that that the access to quality education and skill development impact the economic development of third world countries, technological advancement and innovation is germane in driving economic development in third world countries, and increased international trade positively affected the economic growth of third world countries. Hjertholm, (2003) who opined that globalization can impact the environment and social well-being in third world countries. Increased production and consumption may lead to environmental degradation and resource depletion. Moreover, globalization can influence cultural norms and traditional ways of life, potentially leading to social disruptions and challenges to cultural identity. Also this findings agree with Milanovic, (2003) who stated that the benefits of globalization are not equally distributed, and marginalized populations may not experience significant improvements in their living standards. Moreover, economic restructuring driven by globalization can lead to job losses in traditional sectors, potentially exacerbating poverty.

Research question 3 sought to out the impact of foreign aid on the economy of third world countries. It was found that globalization has facilitated the inflow of foreign aid and development assistance, contributing to poverty reduction and human development outcomes in Third World countries, foreign aid effectively alleviates poverty and

improves living conditions, foreign aid contributes to the development of private sector enterprises and entrepreneurship, and foreign aid facilitates the diversification of the economy and stimulates industrialization in third world countries. Hjertholm, (2003) globalization facilitates the transfer of technology and knowledge from developed to third world countries. This finding agree with Stiglitz, (2002) who stated that rapid capital flows, exchange rate fluctuations, and external debt exposure can increase economic volatility and susceptibility to financial shocks.

Research question 4 sought to out ascertain the barriers facing the foreign and domestic economic growth of third world countries. It was found that lack of access to adequate financial resources, insufficient infrastructure development and political instability and conflicts pose substantial barriers to foreign and domestic economic growth in third world countries. The finding agree with Barro & Lee, (2013). Who opined that lack of skilled labor and inadequate education and healthcare systems can limit productivity and innovation. They also stated that human capital deficits reduce a country's ability to attract foreign investment and drive domestic economic growth.

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATION

#### 5.1 Summary

The purpose of this study was to find out foreign and domestic economic development in third world countries. The sample size of the study was 20 lecturers from the targeted Political Science and Economics departments respective, both from the faculty of Social Sciences, University of Benin, Benin City, Edo State. 19 was returned and used for analysis. The sample was selected using the simple random sampling technique.

The research instrument used in this study was a Questionnaire which was structured into sections A and B. Section A consists of the demographic data of the lecturers. Section B consists of the 15 questions formulated for the study. In order to effectively carry out this research work, four (4) research questions were raised to guide this study. They include

1. What are the Factors Affecting Economic Development of Third World Countries?
2. What are the Impact of Globalization on the Economy of Third World Countries?
3. What are the Impact of Foreign Aid on the Economy of Third World Countries?
4. What are the Barriers Facing the Foreign and Domestic Economic Growth of Third World Countries

The findings from this study reveal that the inflow of foreign aid and development assistance, contributing to poverty reduction and human development outcomes in Third World countries, foreign aid effectively alleviates poverty and improves living conditions, foreign aid contributes to the development of private sector enterprises and

entrepreneurship, and foreign aid facilitates the diversification of the economy and stimulates industrialization in third world countries.

## **5.2 Conclusion**

Based upon the findings of the data presented and analyzed, it suffices to conclude that globalization facilitated the inflow of foreign aid and development assistance thereby contributing to poverty reduction and human development outcomes in Third World countries. Globalization facilitates the transfer of technology and knowledge from developed to third world countries. This can enhance productivity and innovation in various sectors, leading to economic diversification and growth. However, technological advancements may also create challenges if there is a lack of capacity to absorb and adapt to new technologies (World Bank, 2021).

## **5.3 Recommendation**

On the basis of the research results and findings in this study, following recommendation are made;

1. Government should explore microfinance institutions and small enterprises in driving domestic economic development in third world countries.
2. Stakeholders should explore microfinance initiatives has it contribute to poverty alleviation, entrepreneurship, local economic growth, and small business development, highlighting successful strategies and potential challenges.

3. The integration into global value chains and participation in international trade, as indicators of globalization, will positively influenced the industrial structure and diversification of Third World economies

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## APPENDIX

### QUESTIONNAIRE DEPARTMENT OF POLITICAL SCIENCE FACULTY OF SOCIAL SCIENCES UNIVERSITY OF BENIN

Dear Respondent,

I am an undergraduate student from the Department of Political Science, Faculty of Social Sciences, University of Benin, Benin City, Edo State. I am currently carrying out research on **Third World Countries, Foreign and Domestic Economic Development: Examination of the Impacts in Nigeria.**

Please kindly help to complete the questionnaire as it will aid this research work. This is purely for academic purpose and the information you provide will be confidential and it will be used for this research.

Thank you for your cooperation.  
Eduputa Precious Ignatius

#### SECTION A: Personal Information

Tick (✓) where appropriate.

Gender: Male [ ] Female [ ]  
Age: 25 and under [ ] 26 – 35 [ ] 36 – 55 [ ] Above 55 [ ]

#### SECTION B

Please tick [✓] the appropriate option.

S/N	Statements	SA	A	D	SD
1.	Political stability and good governance positively influence economic development in third world countries				
2.	Foreign direct investment contribute to the economic growth of third world countries				
3.	Areas of infrastructure development and investment is effective in enhancing economic development in third world countries				
4.	Access to quality education and skill development impact the economic development of third world countries				
5.	Technological advancement and innovation is germane in driving economic development in third world countries				
6.	Increased international trade positively affected the economic growth of third world countries				
7.	Globalization led to income inequality in third world countries				

8.	The integration into global value chains and participation in international trade, as indicators of globalization, have positively influenced the industrial structure and diversification of Third World economies				
9.	Globalization has facilitated the inflow of foreign aid and development assistance, contributing to poverty reduction and human development outcomes in Third World countries				
10.	Foreign aid effectively alleviates poverty and improves living conditions in third world countries				
11.	Foreign aid contributes to the development of private sector enterprises and entrepreneurship in third world countries				
12.	Foreign aid facilitates the diversification of the economy and stimulates industrialization in third world countries				
13.	Lack of access to adequate financial resources is a significant barrier to the economic growth of third world countries				
14.	Insufficient infrastructure development hinders both foreign and domestic economic growth in third world countries				
15.	Political instability and conflicts pose substantial barriers to foreign and domestic economic growth in third world countries				