

Manuscript ID : 00001-04386

American International Journal of Social Science Research

Volume 4, Issue 2, August 2019, Pages 136-144, Page Count - 9



Source ID : 00000295

The Validity of Okun`s Law: An Empirical Evidence for Nigeria

Divine Ndubuisi Obodoechi ⁽¹⁾ Charles Uchenna Onuoha ⁽²⁾

⁽¹⁾ Department of Economics, Faculty of the Social Sciences, University of Nigeria, Nsukka, Enugu, Nigeria.

⁽²⁾ Department of Economics, Faculty of the Social Sciences, University of Nigeria, Nsukka, Enugu, Nigeria.

Abstract

This paper empirically investigates the relationship between economic growth and unemployment in Nigeria under the Okun's Law framework. The Auto Regressive Distributed Lag model approach, the ARDL Bounds Test and Cointegration Test were employed in this paper. Economic Growth was also regressed on unemployment, log of industrial output, log of net foreign assets, log of foreign direct investment and population growth so as to know the impact of these variables on output. The research findings indicated that high the Okun's specification does not hold in the Nigeria, the impact of economic growth on unemployment is negative and insignificant. We did however find that there is a positive impact of unemployment on economic growth, meaning that the phenomena of jobless growth may be in play in the economy. The Johansen Co-integration test failed to establish evidence of long run relationship between GDP, industrial output, unemployment, foreign direct investment net foreign assets and population growth. The ECM could not be employed because the variables were integrated of different orders. It was however found there exist a significant positive relationship between the aforementioned variables and GDP except for population growth. The government should consider the Industrial Sector as a priority sector in a bid for better economic growth and development. Population control measures should also be put in play to ensure that the population does not exceed the economic carrying capacity. The government should also play an important role in abating unemployment in the economy using direct and indirect schemes and strategies.

Author Keywords

ARDL, Okun's law, Foreign Direct Investment, Industrial Output, Population Growth

Acknowledgement

This paper received no specific financial support and the authors declare that there are no competing interests whatsoever. My acknowledgement goes to Uchenna Charles for his immense support for his contributions towards the success of this paper.

ISSN Print: 2576-103X

Source Type: Journals

Publication Language: English

Abbreviated Journal Title: AIJSSR

Publisher Name: Centre for Research on Islamic Banking & Finance and Business

Major Subject: Social Sciences and Humanities

Subject area: Industrial Relations

ISSN Online: 2576-1048

Document Type: Journal Article

DOI: <https://doi.org/10.46281/aijssr.v4i2.376>

Access Type: Open Access

Resource Licence: CC BY-NC

Subject Area classification: Business, Management and Accounting

Source: SCOPEDATABASE

Reference