Sapientia Global Journal of Arts, Humanities and Development Studies (SGOJAHDS), Vol.8 No.4 December, 2025; p.g. 75 – 87; ISSN: 2695-2319 (Print); ISSN: 2695-2327 (Online)

TO WHAT EXTENT DOES POLITICAL STABILITY AFFECT THE RELATIONSHIP BETWEEN BUSINESS ENVIRONMENT AND EMPLOYMENT RATE IN NIGERIA?

LENGMANG JAMES PYAKYES
Federal Cooperative College Kaduna-Nigeria
E-mail - pyakyes@gmail.com

MOHAMMED YUSUF
Federal University of kashere Gombe State, Nigeria
08036842168, mohammedyusuf9015@gmail.com

ALFRED BOGNET CYPRAIN
Economics Department
Kaduna State University, Kaduna-Nigeria
alfredbognet7@gmail.com

FIDELIS SAMUEL
Economics Department
Kaduna State University, Kaduna-Nigeria
fidelissamuel1990@gmail.com, 07068859582
&
AHMED BALARABE MUSA (Ph.D)
Economics Department
Kaduna State University, Kaduna-Nigeria

ABSTRACT

It is believed that a stable polity will bring about economic, political, social and business growth. Hence, role of political stability in achieving economic development, business and employment growth cannot be overemphasized. For this reason, this study investigated the role of political stability on the relationship between business environment and employment in Nigeria *over the period of 1996Q_1 to 2022Q_4. To achieve this objective, the study made use of interaction model and applied Error Correction Model for the analysis. The results showed that political stability has insignificant positive impact on the relationship between business environment and employment rate. Based on the results, the study recommends that government should be effective in implementing and enforcing its laws and policies that are designed to achieve economic growth which is capable of providing jobs and poverty reduction.*

Keywords: political stability, employment rate, government effectiveness, Business environment.

INTRODUCTION

Political instability in Nigeria dates back to its post-independence period in 1960, characterized by frequent government changes, military coups, ethnic and religious conflicts, and political unrest. This instability has fostered an environment of inconsistent economic policies and weak leadership that undermines sustainable development and economic growth (Adeboye, 2013; Ezeani, Obigwe, Ezeani, & Onyekachi, 2016). Even though military rule

ended with the return to democratic governance in 1999, Nigeria has faced recurring political crises, violent conflicts, and security challenges that continue to destabilize its socio-economic environment (BTI Transformation Index, 2024).

A stable political environment presupposes a conducive businesses environment and low rate of unemployment. In this state, political stability would drive investor confidence, ensure policy consistency, minimize conflicts, and promote economic activities that generate employment and reduce poverty (Okeke & Kalu, 2020). Strengthened institutions and sound governance mechanisms would support sustainable development and social cohesion.

However, the reality is a divergence from this ideal. Nigeria still grapples with political instability marked by ethnic rivalries, religious tensions, insurgencies, and policy uncertainties that affect the business environment adversely. For instance, the political stability and absence of violence index for Nigeria was reported negatively in 2023, reflecting ongoing instability (Trading Economics, 2024). Although the official unemployment rate in 2025 is around 5.3%, unemployment and underemployment remain pervasive due to weak job creation in an unstable business climate (Cardinal Stone Research, 2025).

Over the years, the Nigerian government has implemented several measures to mitigate political instability and improve the business environment. Reforms including banking sector consolidation, the Petroleum Industry Bill, anti-corruption efforts, tax reforms, and initiatives to enhance security have been introduced (Thenation Online, 2025; AFSIC, 2024). Despite these reforms, fragile institutions, poor enforcement, and persistent systemic challenges continue to impede their full effectiveness.

A study by Nomor & Iorember (2017) revealed that persistence of political instability and a disrupted business environment has profound effects, such as deterring foreign investment, limiting business growth, increasing poverty, and fostering social unrest. There is dearth of literature on how political Stability affects the relationship between Business environment and employment rate in Nigeria and hence the need for this study. The few studies available such as Azeng and Yogo (2013), Hodud, Madline, Faridah, Shamshubarida and Mohd (2014), Aiza, Shazia, Farzana, Amna, and Rana, (2019) either studied the relationship between only two different variables. While Azeng and Yogo (2013) examined the relationship between youth unemployment and political instability. Hodud, Madline, Faridah, Shamshubarida and Mohd (2014) examined the impact of business environment on of firm's employment growth. Aiza, Shazia, Farzana, Amna, and Rana, (2019) on the other hand examined the effect of governance on unemployment. Hence this study integrated and studied how political stability affects the relationship between business environment and employment using the interaction term and Error Correction Model which none of those studies used. Moreover, there is no study contextualised to Nigeria on this topic.

The reason for this research is to explore the extent to which political stability influences the relationship between the business environment and employment rate in Nigeria, a nexus poorly understood in existing literature. Put differently, the key objective of this study is to determine the role of political stability on the relationship between business environment and employment in Nigeria. While political stability, business climate, and employment have been

studied independently, there is a research gap in evaluating how political stability moderates' business impacts on employment within the Nigerian context.

This study is motivated by the need to provide empirical evidence to better inform policymakers in designing integrated strategies that stabilize politics, foster a conducive business environment, and enhance employment outcomes in Nigeria.

The organization of the study is as follows: introduction, literature review, methodology; Results and discussion; and conclusion with recommendations for policy and future research.

LITERATURE REVIEW

When defining business environment, Oyebanji (1994) considered business environment as the factors that affect the operations or the activities of a business organization. He stated that the success or failure of any organization or business depends on the environment in which it operates which suggests that every organization should put the environment that it operates in as its number one priory. Oyebanji (1994) further testified that Nigerian business environment has witnessed a total change, which started from the oil boom era in 1960s austerity measure in the early 1970s and structural adjustment programme in the 1980s. Oyebanji (1994) categorized the business environment into internal and external environment. Employment rate is the rate at which people who ae capable and able to work find work to do and are paid well.

This study is anchored on the Institutional Quality theories. The theory of institutional quality is based on the assumption that strong quality of institution in terms of government effective, control of corruption, political stability, security of property right among others are very essential in promoting economic growth that has the capacity to provide jobs and reduce poverty. Institution theory therefore is good at predicting and explaining the divergence in the long run development trend. In general, the countries with good institution usually have the better economic development (Acemoglu, Johnson and Robinson, 2005). The institutional quality theory seems to be applicable in Nigeria. In Nigeria context, in a bid to ensure economic growth that is capable of providing jobs and poverty reduction, government has in recent times expended a lot of effort and financial resources to strengthen and improve the quality of the domestic institutions. Such efforts resulted in the policies reforms and setting up of the "Economic and Financial Crimes Commission (EFCC)," and the "Independent Corrupt Practices Commission" among other by the Olusegun Obasanjo led administration of 1999-2007. Hence, this study considered institutional quality theory very relevant because it exposed the potentials of institutions toward growth and development which is the main focused of this study.

Some empirical reviews in line with the topic are below. Azeng and Yogo (2013) examined the relationship between youth unemployment and political instability in selected developing countries using a time frame of 1980 to 2010 through the application of fixed-effects regression model. The results showed that political instability contribute significantly to an increase in youth unemployment across the developing countries over the period under study. while this study explains the relationship between Political instability and unemployment in developing countries, it failed to explain how political stability affects the relationship between business environment and employment rate in Nigeria.

Hodud, Madline, Faridah, Shamshubarida and Mohd (2014) conducted their study in Libya by investigating the impact of business environment on of firm's employment growth through the application of structural equation model. The variables that they used for the analysis had employment rate as a dependent variable while business environment served as the regressor. They measured business environment in terms of corruption, crime and access to finance. The estimated results showed that corruption, crime and poor access to finance contribute significantly to employment reduction over the period under study. This study shed light on the relationship between business environment and employment growth but could not explain how political stability affects the relationship between business environment and employment rate in Nigeria

Aiza, Shazia, Farzana, Amna, and Rana, (2019) carried out their own study in South Asian countries by investigating the effect of governance on unemployment using panel data over the period 1994 to 2016. The variables considered for the analysis had unemployment rate as a dependent variable while Governance, population growth, internet users, mobile cellular subscriptions, fixed broad band subscriptions, human capital, and financial activity were the independent variables. The study applied panel unit root test, panel cointegration test and panel Vector Error Correction Model for the analysis. The results revealed that the variables are I(1) and have long run cointegration. The VECM results showed that governance, human capital, fixed broadband subscriptions have significant negative relationship with unemployment rate, internet users and mobile cellular subscriptions. However, population growth and financial activity showed significant positive relationship with unemployment rate. This study shed light on the impact of governance on unemployment but could not explain how political stability affects the relationship between business environment and employment rate in Nigeria

There is dearth of literature on how political Stability affects the relationship between Business environment and employment rate in Nigeria. The few studies available such as Azeng and Yogo (2013), Hodud, Madline, Faridah, Shamshubarida and Mohd (2014), Aiza, Shazia, Farzana, Amna, and Rana, (2019) either studied the relationship between only two different variables. While Azeng and Yogo (2013) examined the relationship between youth unemployment and political instability. Hodud, Madline, Faridah, Shamshubarida and Mohd (2014) examined the impact of business environment on of firm's employment growth. Aiza, Shazia, Farzana, Amna, and Rana, (2019) on the other hand examined the effect of governance on unemployment. Hence this study integrated and studied how Political stability affects the relationship between business environment and employment using the interaction term and Error Correction Model which none of those studies used. Moreover, there is no study contextualised to Nigeria on this topic.

METHODOLOGY

The methodology adopted to analysed the Effect of Political Stability on the relationship between Business Environment and Employment in Nigeria

3.5.1 Model Specification

The model used to achieve this study's objective was adopted from the work of Hodud et al (2014) on the impact of business environment on firm's employment growth in Libya. The model showed that employment rate is a function of business environment. The study

adopted the model and introduced new regressors such as political stability, trade openness and foreign direct investment which according to previous empirical studies have an effect on employment rate (Abiola and Henry, 2017, Umit and Alkan, 2016 and Azeng and Yogo, 2013).

The functional form of the model is shown in equation 3.7 as follows:

EMR=f(BUE, POS, TRO, FDI)……..…….....…..(3.7)

Where: EMR= Employment Rate, BUE=Business Environment, POS=Political Stability, TRO=Trade Openness, FDI= Foreign Direct Investment

The econometric form of the model is as follows:

$EMR_t = \phi_0 + \phi_1 BUE_t + \phi_2 POS_t + \phi_3 TRO_t + \phi_4 FDI_t + \varepsilon_t$……..…..……...…….....(3.8)

Where: ε_t = is the Error term, t= time trend, ϕ_0- ϕ_4 = Parameters to be estimated while others as in equation 3.7 above

However, in order to address this study's objective, the study introduced an interaction term into the above model in equation 3.8 which gave rise to a new model as follows:

$EMR_t = ß_0 + ß_1 BUE_t + ß_2 (BUE*POS)_t + ß_3 POS_t + ß_4 TRO_t + ß_5 FDI_t + \varepsilon_t$…...…….....…(3.9)

Where:

ε_t = is the Error term, where ($\varepsilon_t \sim N(0, \delta^2)$); and t= time trend, $ß_0$- $ß_5$ = Parameters to be estimated while others as in equation 3.7 above

Furthermore, the study specified the marginal effect of business environment on employment rate at minimum, average and maximum level of political stability are as follows:

$$\frac{\partial(\text{EMR})}{\partial(\text{BUE})} = ß_1 + ß_2(\text{Minimum POS}) \quad (3.10)$$

$$\frac{\partial(\text{EMR})}{\partial(\text{BUE})} = ß_1 + ß_2(\text{Average POS}) \quad (3.11)$$

$$\frac{\partial(\text{EMR})}{\partial(\text{BUE})} = ß_1 + ß_2(\text{Maximum POS}) \quad (3.12)$$

The new standard error of the marginal effect is as follows:

Standard Error of $\frac{\partial(\text{EMR})}{\partial(\text{BUE})} = \sqrt{\text{Var}(ß_1) + \text{POS}^2.\text{Var}(ß_2) + 2.\text{POS}.\text{Cova}(ß_1, ß_2)}$ ..... (3.13)

Where: Var= Variance, Cova= Covariance, POS= Political Stability, EMR=Employment rate, BUE=Business Environment

3.5.2 Measurement and Justification of Variables

3.5.2.1 Dependent Variable

i. **Employment Rate:** This is the proportion of a country's population that is employed. It is measured in percentage. Data on employment rate was sourced from International Labour Organization, ILOSTAT database, 2019

3.5.2.2

3.5.2.3 Independent Variables.

I. **Political Stability:** This measure perception of the possibility of political instability and/or politically motivated violence, including terrorism. . Data for this variable was sourced from the World Governance Indicators (2019).

II. **Trade Openness:** Trade is the sum of exports and imports of goods and services measured as a share of gross domestic product. Previous studies such as Abiola and Henry, 2017 and among others suggest that trade openness have an effect on the level of employment.

Data on foreign direct investment will be source from World Bank Development Indicators (2019).

III.

IV. **Business Environment:**

V. **Foreign Direct Investment:** Foreign direct investments are the net inflows of investment to acquire a lasting management interest in an enterprise operating in an economy other than that of the investor. Data on FDI will be source from World Bank Development Indicators 2020.

VI. **Interaction Term (BUE*POS):** This is the product of business environment and political stability. It captures the effect of political stability on the relationship between business environment and employment rate.

Table 3.3 Summary of variables

Variables	Measurement	Apriori Expectation
	Dependent Variable	
Employment Rate	Percentage	
	Independent Variables	
Business Environment	Scale from 0 to 100	Positive
Political Stability	Scale from -2.5 to 2.5	Positive
Trade Openness	Percentage of GDP	Positive/Negative
Foreign Direct Investment	Current U.S.	Positive
Interaction Term (BUE*POI)	-	Positive

3.5.3 Techniques of Data Analysis

i. Unit Root Test

The unit root test was considered to be necessary because it enabled the researcher to know the stationarity state of the variables. This is because most time series data are not stationary and regressing non stationary variable on another will generate spurious results (Gujarati et al, 2009). Therefore, the study conducted unit root test by using Augmented Dickey-Fuller and Philips-Perron Test approach.

ii. Co-integration Test

The study conduct cointegration test by using the Johansen integration test approach so as investigate whether the variables have long run relationship or not. The Johansen cointegration test is application on variables that are integrated of the same order that is the variables must be integrated of either order I(1) or order zero I(0) (Gujarati etal, 2009).

iii. Error Correction Model

The study used Error Correction model to for analysis of the data. The Error Correction model has the ability to capture both short run coefficients of the variables and the speed of adjustment toward equilibrium (Error Correction Term) on variables that are integrated of the same order (Gujarati etal, 2009). The specification of the Error Correction Model for objective one is shown below in equation 3.14

$D(EMR)_t = \gamma_0 + \gamma_1 D(BUE)_t + \gamma_2 D(BUE*POS)_t + \gamma_3 D(POI)_t + \gamma_4 D(TRO)_t + \gamma_5 D(FDI)_t + ECT(-1)$ ……(3.14)

Where: D=Difference, ECT=Error Correction Term while others are as in equation 3.9 above

RESULTS AND DISCUSSION

4.3.1 Unit Root Test Result

The unit root test result is presented in Table 4.10

Table 4.10: Summary of Unit Root Test Results

Augmented Dickey-Fuller Unit Root Test at Trend and Intercept							
Variables	Test Statistics at Level	5% Critical Value at Level	P Value at Level (5%)	Test Statistics at First Difference	5% Critical Value at First Difference	P Value at First Difference (5%)	Order of Integration
Log(EMR)	-1.869290	-3.460516	0.6621	-3.657596	-3.460516	0.0490	I(1)
Log(BUE)	-2.085784	-3.465548	0.5457	-4.864887	-3.467703	0.0009	I(1)
POS	-3.224032	-3.460516	0.0864	-7.213481	-3.467703	0.0000	I(1)
Log(TRO)	-2.610467	-3.465548	0.2770	-3.700922	-3.465548	0.0391	I(1)
Log(FDI)	-1.917531	-4.068290	0.1087	-3.887315	-3.465548	0.0448	I(1)
BUE*POS	-1.972352	-3.465548	0.6073	-3.795987	-3.465548	0.0216	I(1)
Phillips-Perron Unit Root Test at Trend and Intercept							
Log(EMR)	-0.866148	-3.459950	0.9547	-3.516200	-3.460516	0.0389	I(1)
Log(BUE)	-3.410233	-3.459950	0.0563	-6.372912	-3.460516	0.0000	I(1)
POS	-2.606689	-3.459950	0.2785	-5.084755	-3.460516	0.0004	I(1)
Log(TRO)	-3.079780	-3.459950	0.1174	-5.204979	-3.460516	0.0002	I(1)
Log(FDI)	-1.239748	-3.459950	0.8958	-4.743924	-3.460516	0.0012	I(1)
BUE*POS	-2.417866	-3.459950	0.3680	-5.223455	-3.460516	0.0002	I(1)

Source: Author's Computation, 2025 using Eview 9. **Where:** Log=Logarithms, EMR= Employment Rate, BUE=Business Environment, POS=Political Stability, TRO=Trade Openness, FDI= Foreign Direct Investment and BUE*POS= Interaction Term

The test was carried out using both Augmented Dickey-Fuller (ADF) and Phillips-Perron (PP) method at 5 percent level of significance and both the ADF and PP test results revealed that all variables were stationary at first difference I(1).

4.Lag Order Selection

The result of the lag order selection test is presented in Table 4.11 below.

Table 4.11: Lag Order Selection

Lag	**LogL**	**LR**	**FPE**	**AIC**	**SC**	**HQ**
0	349.1856	NA	1.80e-11	-7.712037	-7.544263	-7.644412
1	1028.051	1250.942	9.61e-18	-22.15844	-20.98403	-21.68507
2	1192.302	280.5193*	5.44e-19*	-25.04049*	-22.85944*	-24.16137*
3	1212.069	31.09490	8.05e-19	-24.67572	-21.48803	-23.39085

Source: Author's Computation, 2025 using Eviews 9. **Where**: LR: sequential modified LR test statistic (each test at 5% level), FPE: Final prediction error, AIC: Akaike information criterion, SC: Schwarz information criterion, HQ: Hannan-Quinn information criterion **.**

The aim of this test is to obtain the optimum number of lags needed for conducting the Johansen cointegration test. The result suggests that all the criteria such as; LR, FPE, AIC, SC and HQ choose lag 2 as the optimum number of lag required for conducting the Johansen cointegration test.

4.3.3 Test of Cointegration

The result of the Johansen cointegration test is presented in Table 4.12

Table4.12: Johansen Cointegration Test

Series: **Log**(EMR) **Log**(BUE) POS **Log**(TRO) **Log**(FDI) BUE*POS				
Hypothesized No. of CE(s)	**Eigenvalue**	**Trace Statistic**	**0.05 Critical Value**	**Prob.****
None *	0.786282	76.81394	69.81889	0.0124
At most 1	0.425007	33.60719	47.85613	0.5234
At most 2	0.346288	18.11203	29.79707	0.5578
At most 3	0.198748	6.209562	15.49471	0.6708
At most 4	0.000190	0.005328	3.841466	0.9411

Source: Author's Computation, 2021 using Eview 9. **Where:** EMR= Employment Rate, BUE=Business Environment, POS=Political Stability, TRO=Trade Openness, FDI= Foreign Direct Investment and BUE*POS= Interaction Term.

The result revealed that there is one cointegrating equation which implied that the variables used for analyzing objective three such as; Employment Rate (EMR), Business Environment (BUE), Political Stability (POS), Trade Openness (TRO), Foreign Direct Investment (FDI) and Interaction (BUE*POS) have long cointegration over the study period.

4.4.4 Error Correction Model (ECM) Estimate

The study presents the results of the estimated ECM in Tables 4.13.

Table 4.13: Estimated Error Correction Model

Dependent Variable: D(**log**(EMR))				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
C	-0.000170	0.000158	-1.071146	0.2872
D(**log**(BUE))	0.180742	0.082475	2.191489	0.0494
D(BUE*POS)	0.011612	0.006321	1.836874	0.0598
D(POS)	0.089931	0.047985	1.874158	0.0644
D(**log**(TRO))	-0.000758	0.002449	-0.309627	0.7576
D(**log**(FDI))	-0.003344	0.001495	-2.237102	0.0279
ECT(-1)	-0.127899	0.036408	-3.512979	0.0040
R-squared=0.559968, Prob(F-statistic)= 0.516394				

Test	**Statistic**	**P-Values**
Jarque-Bera Sta	5.204578	0.074104
Breusch-Godfrey Serial Correlation LM	4.212780	0.0592
Heteroskedasticity :Breusch-Pagan-Godfrey	5.204578	0.0978
Durbin-Watson stat	1.741508	_

Source: Author's Computation, 2021 using Eview 9. **Where:** D=Diffrence, Log=Logarithms, EMR= Employment Rate, BUE=Business Environment, POS=Political Stability, TRO=Trade Openness, FDI= Foreign Direct Investment and BUE*POS= Interaction Term.

The coefficient of the interaction term (GOVEX*COCR) which captured the role of Political Stability on the relationship between Business Environment and Employment in Nigeria showed insignificant positive sign at 5 percent level of significance. This implied that Political Stability has insignificant positive impact on the relationship between Business Environment and Employment Rate in Nigeria over the study period. The results also showed that Business Environment (BUE) has significant positive impact on Employment at 5 percent level of significance but Political Stability (POS) had an insignificant positive impact on Employment at 5 percent level of significance. The results also revealed that Foreign Direct Investment (FDI) has significant negative impact on Employment at 5 percent while Trade Openness (TRO) showed insignificant negative impact on Employment Rate at 5 percent.

Furthermore, the coefficient of the Error Correction Term (ECT) showed significant negative sign (-0.127899) at 5 percent level of significance. This implied that the variables considered for the analysis such as; Employment, Business Environment, Political Stability, Trade Openness, Foreign Direct Investment and Interaction (BUE*POS) have long cointegration over the study period which further confirmed the result of the Johansen coinegration test earlier carried out. The significant negative coefficient of the ECT term implied that there is an adjustment in the system if any disequilibrium occurs. To be specific, the ECT Term explains that about 12 percent of the disequilibrium in the long run will be adjusted annually.

Furthermore, the value of the R-square (0.559968) suggests that the model has a fairly good fit. It showed that that about 56 percent of Employment in Nigeria is being explained by variables such as; Business Environment (BUE), Political Stability (POS), Trade Openness (TRO), Foreign Direct Investment (FDI) and Interaction (BUE*POS) while remaining 44 per cent is being explained by other variables that were not captured in the model. The F statistics also show significant sign at 5 per cent level of significance which implied that all the regressors in the model can jointly explain Employment in Nigeria over the study period.

Marginal effect of Business Environment on Employment for Maximum, Mean and Minimum level of Political Stability in Nigeria

The results of the Marginal effect of Business Environment on Employment at Maximum, Mean and Minimum level of Political Stability in Nigeria are presented below in Table 4.14

Table 4.14 Marginal effects of Business Environment on Employment for Maximum, Average and Minimum level of Political Stability in Nigeria

Maximum level of Political Stability (POS)	**Mean level of Political Stability (POS)**	**Minimum level Political Stability (POS)**
$EMR_t=ß_0+ß_1BUE_t+ß_2(BUE*POS)_t + ß_3POS_t + ß_4TRO_t + ß_5FDI_t + ε_t$ $\frac{\Delta EMR}{\Delta BUE} = ß_1 + ß_2 * POS$ =0.180742+ 0.011612*-0.620213 =0.17354 Marginal Effect (ME)= 0.17354 Std.Error=(0.08437)**SeeTable 4.15** $t.sta=\frac{\text{Coeff. of the Marginal Effect}}{\text{New Std Error of the ME}}$ $t.sta=\frac{0.17354}{0.084367}$ t.stat [2.056965401] **Significant**	$EMR_t=ß_0+ß_1BUE_t+ß_2(BUE*POS)_t + ß_3POS_t + ß_4TRO_t + ß_5FDI_t + ε_t$ $\frac{\Delta EMR}{\Delta BUE} = ß_1 + ß_2 * POS$ =0.180742+0.011612*-1.745388 =0.160475 Marginal Effect(ME)= 0.160475 Std.Error=(0.08643)**SeeTable 4.15** $t.sta=\frac{\text{Coeff. Of the Marginal Effect}}{\text{New Std Error of the of ME}}$ $t.sta=\frac{0.160475}{0.086432}$ t. stat [1.856662] **Insignificant**	$EMR_t=ß_0+ß_1BUE_t+ß_2(BUE*POS)_t + ß_3POS_t + ß_4TRO_t + ß_5FDI_t + ε_t$ $\frac{\Delta EMR}{\Delta BUE} = ß_1 + ß_2 * POS$ =0.180742+ 0.011612*-2.205197 =0.155135 Marginal Effect(ME)= 0.155135 Std.Error=(0.087333)**SeeTable4.15** $t.sta=\frac{\text{Coeff. Of the Marginal Effect}}{\text{New Std Error of the ME}}$ $t.sta=\frac{0.155135}{0.087333}$ t. stat [1.776362]= **Insignificant**

Source: Author's Computation, 2021. **Note:**t-sta>1.96 (significant at 5%), t-sta <1.96 (insignificant at 5%). The computation of the new Standard Error was carried out as suggested by Brambor, Clark and Golder, (2005) .

The results in Table 4.14 showed that the Marginal effect of Business Environment on Employment at Maximum level of Political Stability showed significant positive sign at 5 percent level. It revealed that at maximum level of Political Stability in Nigeria, Business Environment has significant positive impact on Employment Rate. Specifically, the coefficient explained that at maximum level of Political Stability in Nigeria, Business Environment will significantly increase Employment Rate by 0.17354 percent

The results in Table 4.14 also showed that the Marginal effect of Business Environment on Employment Mean and minimum level of Political Stability showed insignificant positive sign at 5 percent level. It revealed that at average and minimum level of Political Stability in Nigeria, Business Environment has insignificant positive impact on Employment . To be specific, the coefficient explained that at average and minimum of Political Stability in Nigeria, Business Environment will insignificantly increase Employment by 0.17354 percent and 0.160475 percent respectively over the study period.

Table 4.15: New Standard Errors of the Marginal effects for Maximum, Mean and Minimum level of Political Stability (POS)

New Standard Error (S.E) of the Marginal Effect

S.E of $\frac{\Delta EMR}{\Delta BUE}=\sqrt{Var(ß_1) + POS^2 * Var(ß_2) + 2 * POS * Cova(ß_1, ß_2)}$

Where: POS=Political Stabilty, Var=Variance, Cova= Covariance, ß, $ß_2$ = Coefficients,ß_2=Coefficients

$Var(\beta_1)$= 0.08940722
$Var(\beta_2)$= 0.0000770
$Cova(\beta_1,\beta_2)$= 0.000827

See Coefficient Covariance Matrix in Appendix 18

Maximum POS=-0.620213.620213
POS= -1.745388
Minimum POS=-2.205197

See the Summary of Descriptive Statistic in Table 4.1

New Standard Error (S.E) of the Marginal Effect for Maximum level of POS

S.E of $\frac{\partial \log(EMR)}{\partial \log(BUE)}=\sqrt{0.00640722 + (-0.620213)^2 * 0.0000770 + 2 * -0.620213 * -0.000827}$

= 0.084367

New Standard Error (S.E) of the Marginal Effect for Mean level of POS

S.E of $\frac{\partial \log(EMR)}{\partial \log(BUE)}=\sqrt{0.00640722 + (-1.745388)^2 * 0.0000770 + 2 * -1.745388 * -0.000827}$

= 0.086432

New Standard Error (S.E) of the Marginal Effect for Minimum level of POS

S.E of $\frac{\partial \log(EMR)}{\partial \log(BUE)}=\sqrt{0.00640722 + (-2.205197)^2 * 0.0000770 + 2 * -2.205197 * -0.000827}$

= 0.087333

Source: Author's Computation, 2021. **Note:** t-sta>1.96 (significant at 5%), t-sta <1.96 (insignificant at 5%). The computation of the new Standard Error was carried out as suggested by Brambor, Clark and Golder, (2005).

4.5 Discussion of Findings

The results of the Augmented Dickey Fuller/Philips-Perron unit root test and the Johansen cointegration test presented in Table 4.10 and Table 4.11 indicate that the variables considered for the analysis namely; Employment Rate, Business Environment, Political Stability, Trade Openness, Foreign Direct Investment and Interaction (BUE*POS) have long cointegration . Afterward, Error Correction Model was applied for the estimation of the data on the ground that the variables considered for the analysis are integrated of order one and have long run cointegration.

Theoretically, it is expected that a change in business environment may lead to an increase employment when there is a stable level of political stability. The results of the estimated Error Correction Model presented in Table 4.13 agreed with this claims because the coefficient of the interaction term has positive sign but it is not significant which implied that political stability has insignificant positive impact on the relationship between Business Environment and Employment in Nigeria over the study period which is in line with apriori expectation of the study.

However, the results of the marginal effects presented in Table 4.14 revealed that at maximum level of Political Stability in Nigeria, Business Environment has significant positive relationship with Employment Rate. The results also revealed that at Mean and minimum

level of Political Stability in Nigeria, Business Environment has insignificant positive relationship with Employment Rate.

CONCLUSION AND RECOMMENDATIONS

To determine the role of political stability on the relationship between business environment and employment rate in Nigeria, Error Correction Model was applied for the analysis. Based on the results, the study concludes that political stability has insignificant positive impact on the relationship between business environment and employment. It was also found that business environment and political stability have insignificant positive impact on employment. However, foreign direct investment has significant negative impact on employment rate while trade openness showed insignificant negative impact on employment rate. Furthermore, the marginal l effects showed that at maximum level of Political Stability in Nigeria, business environment has significant positive relationship with employment. However, at mean and minimum level of political stability in Nigeria, business environment has insignificant positive relationship with employment.

Based on the results, the study recommends that Since business environment only showed significant positive impact on employment at maximum level of political stability in Nigeria, it is advised that politics should be make less attractive to reduce cases of political violence in the country. Government should also promulgate laws that will arrest religion fanatic who preach violence while also restructuring the National Youth Service Corps (NYSC) to promote national unity as this will help in reducing both political, religion and ethnic crises in the country which will go a long way in improving the level of political stability that is required to provide employment opportunity.

REFERENCES

Adeboye, B. F. (2013). Political instability and economic development in Nigeria. *Journal of Sustainable Development in Africa*, 15(2), 148-164.

AFSIC (2024). Understanding Nigeria's economic growth trends. *AFSIC*. https://www.afsic.net/understanding-nigerias-economic-growth-trends/

BTI Transformation Index. (2024). Nigeria country report. Bertelsmann Stiftung.

CardinalStone Research. (2025). Domestic economy Nigeria: 2025 economic outlook. CardinalStone. https://research.cardinalstone.com/storage/ResearchReports/CardinalStone%20Research%20-%202025%20Economic%20Outlook.pdf

Ezeani, E., Obigwe, C., Ezeani, N., & Onyekachi, I. (2016). Political instability and economic growth in Nigeria. *International Journal of Advanced Academic Research*, 2(3), 47-69.

Nomor, J., & Iorember, P. T. (2017). Political stability and economic growth in Nigeria (1999–2014): An ARDL approach. SSRN. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3086376

Okeke, G., & Kalu, C. (2020). The influence of political stability on foreign direct investment in Nigeria. *Journal of Public Administration, Finance, and Law*.

Trading Economics. (2024). Political Stability And Absence Of Violence/Terrorism in Nigeria. https://tradingeconomics.com/nigeria/political-stability-and-absence-of-violence-terrorism-estimate-wb-data.html

Gujarati, D. N., and Porter, D. C. (2009). *Basic econometrics*. Boston, Mass: McGraw-Hill

Hodud, E., Madline, B. , Faridah, S., Shamshubarida, R. and Mohd, F. M. (2014). The impact of business environment on of firm's employment growth in Libya. *Global Journal of Management and Business Research Volume 14 Issue 8 Version 1.0*

Ji, K., Magnus, J.R. and Wang, W. (2014). Natural resources, institutional quality, and economic growth in China. *Environmental and Resources Economics,* Vol. 57, Issue 3, pp. 323-343.

John, N.N. U. (2015). Global governance and poverty reduction through millennium development goals: some regional experiences. *Independent Journal of Management & Production* Vol. 6, No. 4

Joseph Rowntree Foundation (2013). *Monitoring poverty and social exclusion 2013.* Joseph Rowntree Foundation and the New Policy Institute

Nsikak, A. A. E. and Edet, J. U. (2013). Determinants of rural poverty in Nigeria .International *Journal of Agricultural Management and Development. 3(2): 141-151.Available online on: www.ijamad.com*

Oyebanji, J. (1994). *Nigerian business environment and organization effectiveness*; Abiola Bookshop.