Internal Trade and Unemployment in Nigeria

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Abstract

This paper discusses how internal trade has influenced unemployment in Nigeria between 1980 and 2024 in the context of an increasing phenomenon of joblessness despite the growing domestic trade industry. The study examines the explicit mediating variables of this relationship, which are domestic credit to the private sector, inadequacy of infrastructure and internal insecurity. The research took an ex-post facto research design and used annual time-series data obtained at the National Bureau of Statistics (NBS), the Central Bank of Nigeria (CBN), and the World Bank. To evaluate both the short term dynamics as well as the long term equilibrium relationships, the Autoregressive Distributed Lag (ARDL) model was used. The results affirm that there is a strong co integrating relationship between the variables in the long run. However, in contrast to the theoretical forecast, it was found that domestic credit to the private sector positively and statistically significantly related to unemployment indicating a poor distribution of credit to sectors with high capital-intensive and fewer employment. The impact of internal insecurity was also significant and positive and had a great long-run effect on unemployment supporting the fact that it derailed trade and ruined livelihoods. Although total internal trade and infrastructure expenditure have the anticipated negative coefficients, their relationship with unemployment was statistically significant in the long run meaning that their potential is being suppressed by structural inefficiencies and informality. The conclusion of the study is that unemployment crisis in Nigeria is not just a product of the fact that there is inadequate internal volume of trade but rather a structural and institutional environment in which trade takes place. It also makes policy suggestions, which include reforming credit channels through prioritisinglabour-intensive SMEs, the vigorous efforts to reduce internal insecurity, and the systematic and focused investments in trade-enabling infrastructure to release the job-creating potential of internal trade in Nigeria.

Keywords: Internal Trade, Unemployment, Domestic Credit, Internal Insecurity.

1.0 INTRODUCTION

1.1 Background to the Study

The Nigerian economy, the largest in Africa, embodies a paradox of vast potential amid persistent socio-economic challenges, particularly the rising rate of unemployment. The National Bureau of Statistics (NBS, 2023) reported an unemployment rate of 4.1% in the first quarter of 2023, but beneath this lies a labour force participation rate of 80.4% and an underemployment rate of 12.2%, showing that millions are in jobs that neither utilize their skills nor provide adequate income [1]. This crisis is intensified by Nigeria's youthful population—66.9% under the age of 30—adding millions of job seekers annually to an already saturated labour market [2].

Historically, Nigeria's economy was agrarian and trade-oriented at independence in 1960, supported by robust internal trade in commodities such as palm oil, groundnuts, and cocoa [3]. However, the discovery of crude oil in the 1970s triggered a structural shift that led to "Dutch Disease," where oil dominance fostered the neglect of agriculture and other non-oil sectors, rendering the economy capital-intensive, externally oriented, and employment-deficient [4].

Despite oil contributing about 78% of government revenue and 90% of foreign exchange, it employs less than 5% of the labour force [5, 2]. This neglect has constrained agriculture, manufacturing, and services—the sectors with the highest labour absorption potential. Agriculture, which employs about 35% of workers, suffers from low productivity, insecurity, and weak infrastructure [5], while manufacturing remains below 10% of GDP due to power instability, multiple taxation, and import competition [6]. Against this backdrop, internal trade—the exchange of goods and services within Nigeria's borders—emerges as a vital yet underexplored engine for inclusive growth and employment generation. It spans the movement of agricultural produce across states, wholesale and retail markets in cities such as Onitsha and Kano, and expanding e-commerce platforms. Internal trade links producers to consumers, rural economies to urban centres, and SMEs to broader markets. According to one study [7], a vibrant domestic trade sector stimulates production, promotes specialization, reduces post-harvest losses exceeding 40% for perishable goods, and fosters ancillary services like logistics, warehousing, and finance [8].

Thus, efficient internal trade holds the potential to generate broad-based employment, correct historical structural imbalances, and mitigate Nigeria's deepening unemployment crisis.

1.2 Statement of the Problem

Nigeria faces a severe demographic and economic challenge, with its labour force expanding by over five million people annually and nearly 67% of the population under age 30 [1, 2]. The formal sector's limited capacity to absorb this growing workforce has pushed most Nigerians into the informal economy, marked by job insecurity, low productivity, and inadequate earnings [9]. In principle, internal trade—spanning agricultural supply chains, wholesale and retail markets, and emerging digital platforms—should serve as a major source of mass employment. However, a persistent disconnect exists between this theoretical potential and the reality of escalating unemployment and underemployment. The problem lies in systemic constraints that undermine the capacity of internal trade to generate sustainable jobs. A key issue is the weak and insufficiently quantified relationship between domestic trade activities and employment growth, which lacks robust empirical validation in Nigeria. Compounding this is the chronic shortage of formal credit to small and medium-sized enterprises (SMEs)—the backbone of internal trade. Despite policy interventions, domestic credit to the private sector remains suboptimal, limiting business expansion and hiring [5]. Infrastructure deficits further cripple internal commerce. Poor roads, unreliable power supply, and inadequate storage facilities inflate logistics costs—among the highest globally—thus eroding profitability and discouraging investment in logistics, retail, and production [2]. Even more debilitating is the rising insecurity, including banditry, farmer-herder clashes, and kidnappings, which disrupt agricultural supply chains and make major interstate routes unsafe [10]. The core problem, therefore, is the paradox of a potentially dynamic internal trade sector coexisting with rising unemployment, perpetuated by intertwined financial, infrastructural, and security barriers. Without an integrated understanding of how these constraints suppress trade's job-creation potential, policy responses will remain ineffective, and Nigeria's unemployment crisis will continue to threaten economic stability and social cohesion.

1.3 Objective of the Study

The broad objective of this research is to examine the impact of internal trade on unemployment in Nigeria; and the specific objectives are:
1. To analyze the relationship between total internal trade and unemployment in Nigeria.
2. To examine the relationship between domestic credit to the private sector and unemployment in Nigeria.
3. To determine the relationship between the infrastructure deficiency of internal trade and unemployment in Nigeria.
4. To determine the relationship between internal insecurity of internal trade and unemployment in Nigeria.

1.4 Research Questions

This study is guided by the following research questions, designed to probe the core issues outlined in the problem statement:

1. What is the relationship between the volume of total internal trade and the unemployment rate in Nigeria?
2. To what extent does domestic credit to the private sector influence unemployment levels in Nigeria?
3. How does infrastructure deficiency within internal trade corridors affect unemployment in Nigeria?
4. What is the relationship between internal insecurity that disrupts trade and the rate of unemployment in Nigeria?

1.5 Research Hypotheses

The following null hypotheses are formulated to be tested in this study:

H_{01}: There is no statistically significant relationship between the total volume of internal trade and the unemployment rate in Nigeria.

H_{02}: There is no statistically significant relationship between domestic credit to the private sector and the unemployment rate in Nigeria.

H_{03}: There is no statistically significant relationship between infrastructure deficiency in internal trade and the unemployment rate in Nigeria.

H_{04}: There is no statistically significant relationship between internal insecurity that disrupts trade and the unemployment rate in Nigeria.

1.6 Significance of the Study

The findings of this research are expected to provide substantial value to multiple stakeholders. For policymakers in government agencies such as the Federal Ministry of Industry, Trade, and Investment and the National Planning Commission, the study will offer evidence-based insights on how strategic investments in trade-enabling infrastructure and regulatory reforms can serve as deliberate strategies for reducing unemployment, identifying the most critical constraints for more targeted interventions. Academically, the research will fill a notable gap by examining the internal trade-unemployment nexus in Nigeria, incorporating the moderating roles of insecurity and infrastructure, thereby contributing a nuanced theoretical and empirical model that can inform studies in other developing country contexts. For business practitioners and trade associations, the findings will illuminate systemic barriers to scaling operations and the employment potential of a more integrated domestic market, while for the general public, the study aims to enhance appreciation of internal trade as a key driver of national economic stability and individual livelihoods.

1.7 Scope of the Study

This study examines the impact of internal trade on unemployment in Nigeria from 1980 to 2024, a 34-year scope capturing significant economic epochs from structural adjustment to contemporary challenges. The research analyzes four key variables derived from specific objectives: total internal trade volume, domestic credit to the private sector, infrastructure deficiency, and internal insecurity. Data was sourced from official repositories, including the National Bureau of Statistics (2024), for unemployment and trade figures, Central Bank of Nigeria reports for financial and macroeconomic data (2024), World Development Indicators (2024) for infrastructure metrics, and security databases.

2.0 LITERATURE REVIEW
2.1 Conceptual Literature
2.1.1 Concept of Total Internal Trade and the Unemployment Rate in Nigeria
Internal trade, which encompasses the circulation of goods and services within national borders, is a key driver of economic integration and employment generation in Nigeria, spanning agriculture, manufacturing, distribution, wholesale and retail commerce, and e-commerce, connecting rural producers to urban consumers [11]. Despite Nigeria's large population and youthful labor force, unemployment remains a persistent challenge, with a 4.1% official rate in early 2023, underemployment at 12.2%, and labor participation below 81% [1, 9]. The sector's contributions are largely concentrated in the informal economy, characterized by low productivity, unstable earnings, and limited social protection. Structural constraints such as inadequate infrastructure, high logistics costs, fragmented supply chains, and urban-rural disparities limit the transformative potential of internal trade, highlighting that its impact on employment depends not only on trade volume but also on the institutional and structural environment [2, 5, 12].

2.1.2 Concept of Domestic Credit to the Private Sector and Unemployment Levels in Nigeria
Domestic credit to the private sector, which includes loans and financing for productive activities, is a critical driver of trade expansion, business growth, and employment generation in Nigeria, especially given the dominance of SMEs in the economy [13]. Despite this, credit levels remain low, averaging below 15% of GDP over the past five years, limiting the capacity of labor-intensive SMEs to expand, invest, and create jobs [14, 15]. Central Bank interventions targeting agriculture, manufacturing, and creative industries have increased aggregate credit flows, but distribution remains uneven, leaving rural enterprises and informal traders underserved [16]. Conceptually, access to credit functions as a strategic lever for employment generation, stimulating entrepreneurship, investment, and labor demand, while restricted credit availability constrains the translation of trade and enterprise into sustainable job creation [17].

2.1.3 Concept of Infrastructure Deficiency within Internal Trade Corridors and Unemployment in Nigeria
Infrastructure is central to trade efficiency, competitiveness, and employment creation, yet Nigeria suffers deficits in roads, power, transport systems, storage facilities, and digital connectivity that undermine internal trade and labor absorption [18, 2]. Poor infrastructure elevates transaction costs, fragments markets, and limits value chain development, resulting in high logistics costs, post-harvest losses in agriculture, energy-intensive manufacturing, and constrained SME operations [1, 12, 6, 16]. Digital infrastructure gaps, particularly in rural areas, further restrict access to e-commerce and fintech platforms, limiting employment opportunities for youth [19]. Overall, these deficiencies reduce the multiplier effect of trade on employment, indicating that addressing infrastructure gaps is essential for translating Nigeria's internal trade potential into sustainable job creation [20].

2.1.4 Internal Insecurity that Disrupts Trade and the Rate of Unemployment in Nigeria
Internal insecurity—including terrorism, banditry, farmer-herder conflicts, and separatist agitations—significantly disrupts domestic trade and limits employment opportunities in Nigeria [21]. Insecurity increases logistics costs, deters investment, displaces workers, and reduces agricultural and industrial output, while over 20 million people in conflict-affected areas experience economic marginalization [22, 23, 24]. Massive internal displacement, estimated at over 3 million people in 2023 [25], forces many into low-productivity informal work, deepening underemployment. Conceptually, insecurity functions as both a direct and indirect inhibitor of employment by destroying assets, disrupting production, and fragmenting markets, highlighting that unemployment in Nigeria is shaped not only by macroeconomic factors but also by socio-political instability [10, 24].

2.2 Theoretical literature
The theoretical foundation for analyzing internal trade and unemployment in Nigeria is anchored in three complementary frameworks. The Dual Sector Theory [26] explains the labour movement from low-productivity subsistence sectors to higher-productivity modern sectors, highlighting internal trade as a potential engine for structured employment. However, in Nigeria, weak infrastructure, limited credit access, and widespread insecurity constrain this labour transfer, leaving much of internal trade informal and underproductive. The Keynesian Employment Theory [27] emphasizes that aggregate demand determines employment levels, positioning internal trade as a driver of consumption-led growth that can stimulate jobs through multiplier effects. Yet, structural bottlenecks, such as poor infrastructure, insecurity, and limited credit, suppress demand and hinder employment generation. Finally, Institutional Theory [28] underscores the role of formal rules, governance structures, and informal norms in shaping economic outcomes, noting that weak institutions in Nigeria—manifested through inadequate regulatory enforcement, corruption, and skewed credit allocation—limit the internal trade's capacity to generate sustainable employment. Collectively, these theories provide a multidimensional lens: the dual sector perspective identifies labour absorption potential, Keynesian theory links trade to demand-driven employment, and institutional theory highlights governance and systemic constraints, offering a comprehensive framework for understanding why Nigeria's internal trade has not fully translated into broad-based job creation [26, 27, 28, 4, 29, 2].

2.3 Empirical literature
2.3.1 Empirical Review of Total Internal Trade and the Unemployment Rate in Nigeria
Empirical studies indicate that internal trade in Nigeria has a measurable impact on employment, though effects vary by sector, region, and trade modality. One study found that a 1% increase in trade volume reduced unemployment by 0.25% in the long run, highlighting the importance of market integration [30]. Another showed that formal trade expansion generated stable jobs, whereas informal trade was linked to underemployment, with regional disparities evident [31]. Other research demonstrated that digital marketplaces created new urban jobs but limited rural benefits [32], while others emphasized infrastructure quality as a key mediator between trade volume and employment [33, 34]. Studies further confirmed that agricultural trade, backward linkages, and targeted infrastructure investments could significantly enhance job creation, though spatial inequalities and skill deficits remain constraints [35, 36, 37, 38].

2.3.2 Empirical Review of Domestic Credit to the Private Sector and Unemployment Levels in Nigeria

Research consistently shows that domestic credit to the private sector is critical for employment generation, particularly through SME expansion. One study found that a 10% increase in credit reduced unemployment by 2.3% in the long run, though transmission lags exist [39]. Another highlighted misallocation toward capital-intensive sectors, limiting employment impact [40], while the CBN reported that targeted schemes created 750,000 jobs between 2020-2022 [16]. Other research demonstrated that both conventional and digital credit increased labor absorption, though job quality and debt sustainability remain concerns [41, 42]. Other studies emphasized the effectiveness of development finance institutions [43], while others noted regional disparities in credit access [44], and another showed that restrictive monetary policy can exacerbate unemployment in labor-intensive sectors [45].

2.3.3 Empirical Review of Infrastructure Deficiency within Internal Trade Corridors and Unemployment in Nigeria

Infrastructure deficits are a major constraint on employment generation through internal trade. One report indicated that poor rural roads and storage facilities caused 35% of seasonal underemployment in agriculture [12], while another found that unreliable power reduced manufacturing employment by 30%, with potential gains of 750,000 jobs if electricity stabilized [20]. The World Bank indicated that poor transport conditions cost an estimated 2.3 million jobs [46], and another study highlighted that limited broadband penetration constrained e-commerce employment by 1.2 million youth [47]. Other reports demonstrated that targeted infrastructure investments significantly boost direct and indirect job creation [48, 49, 50], while another confirmed that energy and connectivity gaps remain key barriers to workforce expansion [36].

2.3.4 Empirical Review of Internal Insecurity that Disrupts Trade and the Rate of Unemployment in Nigeria

Studies consistently show that insecurity directly and indirectly suppresses trade and employment. One study reported that conflicts displaced 2.3 million agricultural workers, raising unemployment by 15% [51], while another found 65% lower employment in conflict-affected areas [24]. A security report quantified 450,000 lost jobs in logistics due to route closures [10], and another observed a 40% reduction in cultivated farmland and 1.2 million lost jobs in the Middle Belt [52]. Other studies confirmed high unemployment among internally displaced persons, trade disruptions, and postponed investments, demonstrating that insecurity is a systemic barrier to both market functionality and labour absorption [46, 53, 54, 55].

2.4 Summary of Literature and Gap

The reviewed literature confirms that internal trade has significant employment potential in Nigeria, but this is constrained by inadequate credit, infrastructure deficiencies, insecurity, and structural informality. While empirical studies show that trade growth, credit expansion, infrastructure improvements, and security stabilization can increase labor absorption, most research examines these factors in isolation, overlooking their interactive effects. Moreover, recent longitudinal data spanning Nigeria's evolving trade and security landscape remain underutilized.

This study addresses this gap by integrating internal trade, credit, infrastructure, and insecurity into a single analytical framework for 1990-2024, providing fresh insights into how structural reforms can transform domestic trade into a sustainable driver of employment generation.

3.0 RESEARCH METHODOLOGY

3.1 Research Design

The study adopts an ex-post facto research design. This design is suitable because the analysis relies exclusively on historical secondary data rather than experimental manipulation. It enables empirical assessment of how shocks to internal trade and related macroeconomic factors influence unemployment in Nigeria over time. Similar approaches have been used in recent empirical research in developing economies [56, 2].

3.2 Sources of Data

The study employs annual time-series data from 1980 to 2024. Data on unemployment rates are sourced from the National Bureau of Statistics (NBS, 2024). Internal trade and domestic credit to the private sector are obtained from the Central Bank of Nigeria (CBN, 2024) and the World Bank's World Development Indicators (WDI, 2024). Infrastructure measures are drawn from World Bank transport, logistics, and energy indicators, while insecurity indices are compiled from the United Nations Development Programme (UNDP, 2023), SBM Intelligence (2023), and the Armed Conflict Location & Event Data Project (ACLED, 2024). These sources are selected for their reliability and comparability.

3.3 Model Specification

The ARDL model developed by [57] is employed to estimate the short-run and long-run effects of internal trade, domestic credit, infrastructure, and insecurity on unemployment in Nigeria. The general functional form of the model is expressed as: $UNEMP_t = f(TIT_t, DCP_t, INFRA_t, INSEC_t)$, where: $UNEMP_t$ = Unemployment rate, TIT_t = Total internal trade. DCP_t = Domestic credit to private sector, $INFRA_t$ = Infrastructure, $INSEC_t$ = Internal insecurity index.

### 3.4 Data Analysis and Justification of ARDL

The study employs the Auto Regressive Distributed Lag (ARDL) approach to model unemployment as a function of its past values and lagged effects of total internal trade, domestic credit, infrastructure, and insecurity, capturing both short-run fluctuations and long-run equilibrium relationships through an error correction term that measures the speed of adjustment. The estimation procedure begins with descriptive statistics and correlation analysis to examine variable distributions and potential multicollinearity, followed by unit root tests (ADF and PP) to determine the integration order of each variable, ensuring suitability for ARDL, which accommodates I(0) and I(1) series. The ARDL bounds test for cointegration [57] establishes long-run relationships, after which both long-run and short-run estimates are reported, accompanied by diagnostic tests—including serial correlation, heteroskedasticity, normality, and parameter stability (CUSUM and CUSUMSQ), to ensure robustness. ARDL is justified due to its flexibility with small samples, ability to handle mixed integration orders, simultaneous estimation of short- and long-run dynamics, and capacity to avoid spurious regression, making it appropriate for analyzing Nigeria's evolving economic relationships between trade, credit, infrastructure, and unemployment.

4.0 DATA PRESENTATION, ANALYSIS, AND INTERPRETATIONS
### 4.1 Data Presentation
Data Showing Unemployment Rate (%), (UNEMP), Total Internal Trade (₦ Billion) (TIT), Growth Rate of Private Credit (%), (DCP), Infrastructure Expenditure Growth Rate (%) (INFRA), and Internal Insecurity Index (0-100), (INSEC) are presented in the appendix.

4.1.1 Variables Trends

Figure 4.1 Unemployment Rate (%), (UNEMP)
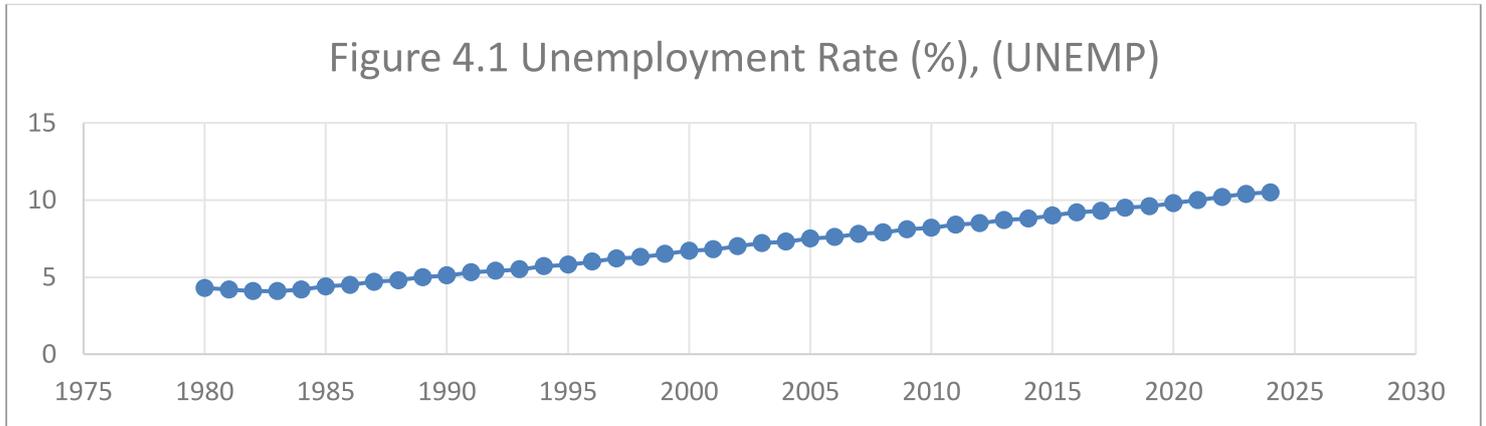
Source: *World Bank Indicator, (2024)*

Figure 4.1 above revealed that the unemployment rate in Nigeria demonstrates a persistent and concerning upward trend over the 44-year period. Beginning at 4.3% in 1980, it remained relatively stable at a low level throughout the 1980s. However, from 1990 onwards, it began a steady and almost uninterrupted climb, rising from 5.1% to 10.5% by 2024. This consistent increase indicates a long-term structural problem in the economy's ability to generate sufficient employment for its growing labour force, with the situation deteriorating more rapidly in recent decades


Figure 4.2 Total Internal Trade (₦ Billion) (TIT)
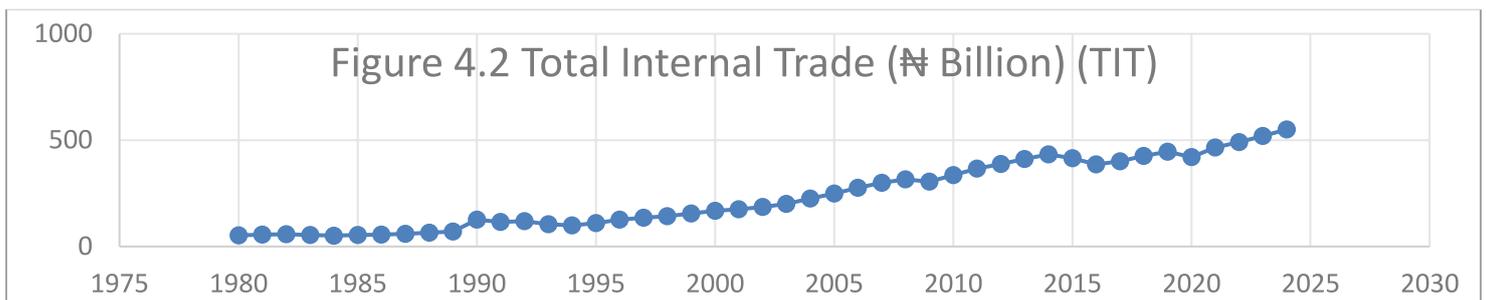
Source: *CBN Statistical Bulletin of Various Years (2024)*

The value of total internal trade in Figure 4.2 shows a general long-term increasing trend, reflecting the expansion of the domestic economy. Starting at ₦52.5 billion in 1980, it grew steadily until a significant jump in 1990. Despite periodic contractions, such as during the early 1990s and around the 2016 economic recession, the overall trajectory is positive, culminating at ₦550 billion in 2024. This growth suggests an expanding domestic market, though the simultaneous rise in unemployment implies that this expansion has not been sufficiently labour-absorbing or inclusive.

Figure 4.3 Growth Rate of Private Credit (%)
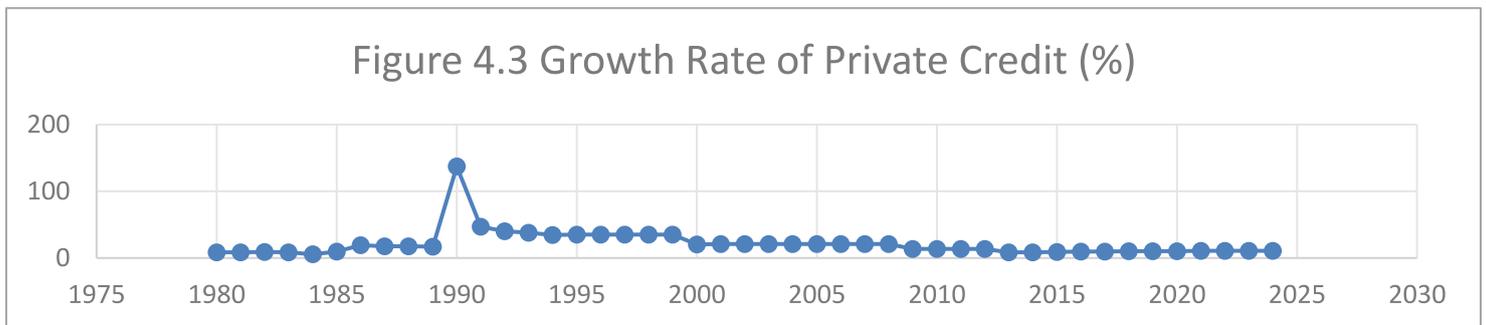
Source: *CBN Statistical Bulletin of Various Years (2024)*

The growth rate of domestic credit to the private sector in Figure4.3 is highly volatile, marked by a dramatic peak and subsequent stabilization. It experienced an enormous spike to 137.2% in 1990, which was likely due to specific financial sector reforms or liberalization. Following this anomaly, the growth rate fell sharply and remained at moderately high levels around 35% through the late 1990s. From the year 2000 onwards, it entered a new phase of much lower and relatively stable growth, hovering between 8% and 11% in the last decade, indicating a more mature but perhaps constrained credit market.

Figure 4.4 Infrastructure Expenditure Growth Rate (%)
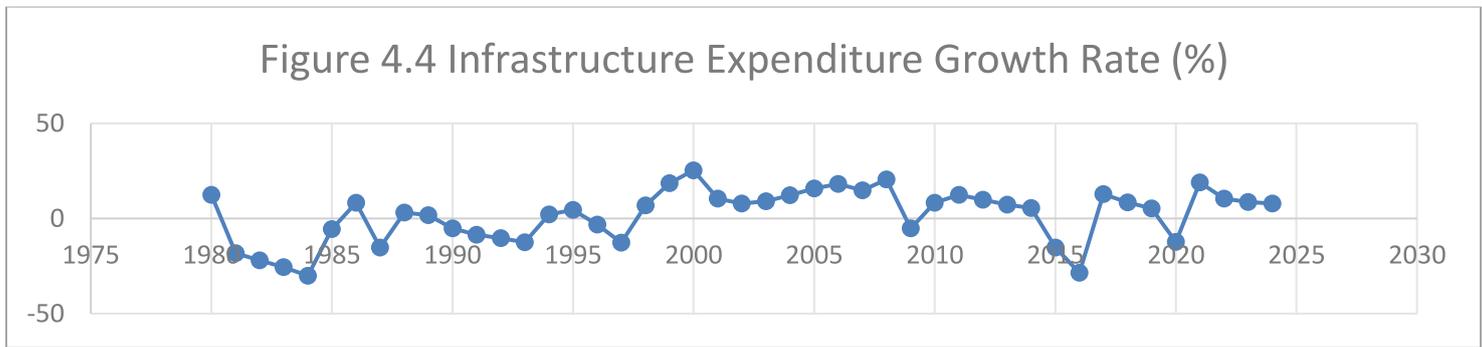
Source: World Bank Indicator, (2024)

The trend for infrastructure expenditure growth in Figure 4.4 is characterized by extreme volatility with no clear long-term direction, alternating sharply between deep negative values and strong positive growth. The early 1980s and mid-2010s saw severe negative growth, indicating significant cuts in public spending on infrastructure. These downturns are interspersed with periods of robust positive growth, such as around the year 2000 and in 2021. This erratic pattern points to inconsistent government investment in infrastructure, which likely hampers long-term planning and development.

Figure 4.5 Internal Insecurity Index (0-100)
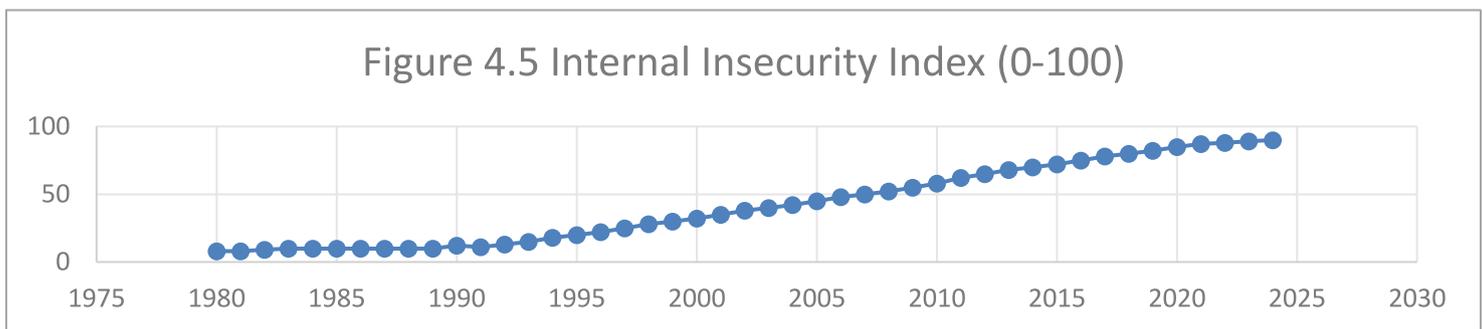
Source: World Bank Indicator, (2024)

The internal insecurity index reveals a stark and worsening trend over the decades. Starting at a low of 8 in 1980, it remained relatively stable and low throughout the 1980s. From the early 1990s, it began a steady and accelerating climb, rising from 11 to 90 by 2024. This relentless increase highlights a dramatic deterioration in the nation's internal security landscape over the last 30 years, with the problem becoming progressively more severe and widespread.

4.2 Data Analysis
4.2.1 Unit root Analysis

Table 4.2: Summary of Augmented Dickey-Fuller (ADF) Unit Root Test Results

Variable	At Level			At First Difference			Order of Integration
	ADF Statistic	5% Critical Value	Conclusion	ADF Statistic	5% Critical Value	Conclusion	
UNEMP	-1.498816	-2.931404	Non-Stationary	-6.082998	-2.931404	Stationary	I(1)
TIT	1.578706	-2.929734	Non-Stationary	-5.521504	-2.931404	Stationary	I(1)
DCP	-4.366111	-2.929734	Stationary	-	-	-	I(0)
INFRA	-3.831409	-2.929734	Stationary	-	-	-	I(0)
INSEC	0.665402	-2.931404	Non-Stationary	-3.202132	-2.931404	Stationary	I(1)

Source: Author's Computation using EViews 13 (Output in Appendix)

The Augmented Dickey-Fuller (ADF) tests established the stationarity properties of the variables, using the 5% critical value as the decision rule. Domestic Credit to the Private Sector (DCP, -4.37) and Infrastructure Expenditure (INFRA, -3.83) were stationary at level [I(0)], while the Unemployment Rate (UNEMP, -1.50), Total Internal Trade (TIT, 1.58), and Internal Insecurity Index (INSEC, 0.67) were non-stationary at level but became stationary after first differencing [I(1)], with ADF statistics of -6.08, -5.52, and -3.20, respectively. Since no variable was integrated of order I(2) or higher, the precondition for applying the ARDL cointegration technique was satisfied, allowing reliable analysis of both short-run and long-run relationships among the variables.

4.2.2 ARDL Bound Test

Table 4.3 Bound Test Result

Test Statistic				Value	
F-statistic				4.550166	
	10%		5%		1%
Sample Size	I(0)	I(1)	I(0)	I(1)	I(0)	I(1)
35	2.46	3.46	2.947	4.088	4.093	5.532
40	2.427	3.395	2.893	4	3.967	5.455
Asymptotic	2.2	3.09	2.56	3.49	3.29	4.37
* I(0) and I(1) are respectively the stationary and non-stationary bounds.						

Source: Author's Computation using EViews 13 (Output in Appendix)

Based on the bound test result provided in Table 4.3, the computed F-statistic from the ARDL bounds test is 4.550166. Comparing this value to the critical value bounds at the 5% significance level for a sample size of 35 (I(0) = 2.947 and I(1) = 4.088), the F-statistic exceeds the upper critical bound of 4.088. Since the F-statistic is greater than the upper bound critical value at the 5% level, we reject the null hypothesis of no long-run relationship among the variables. This confirms the existence of a stable, long-run cointegrating relationship between the examined variables in the model.

4.2.3 ARDL Error Correction Test

Table 4.4 Error Correction Test Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
COINTEQ*	-0.275712	0.038971	-7.074732	0.0000
D(UNEMP(-1))	-0.840203	0.167143	-5.026852	0.0004
D(UNEMP(-2))	-0.176436	0.132583	-1.330764	0.2102
D(UNEMP(-3))	0.319732	0.095287	3.355456	0.0064
D(UNEMP(-4))	0.350079	0.117174	2.987691	0.0123
D(TIT)	0.002078	0.000504	4.124021	0.0017
D(TIT(-1))	0.004099	0.000965	4.249511	0.0014
D(TIT(-2))	0.005839	0.000899	6.491408	0.0000
D(TIT(-3))	0.003911	0.000804	4.861729	0.0005
D(TIT(-4))	0.003302	0.000672	4.914840	0.0005
D(TIT(-5))	0.004844	0.001016	4.768689	0.0006
D(DCP)	-0.000227	0.000351	-0.646055	0.5315
D(DCP(-1))	-0.002416	0.000733	-3.296938	0.0071
D(DCP(-2))	-0.002721	0.000587	-4.631358	0.0007
D(DCP(-3))	-0.002836	0.000696	-4.075149	0.0018
D(DCP(-4))	-0.001028	0.000558	-1.842243	0.0925
D(DCP(-5))	-0.002294	0.000503	-4.561551	0.0008
D(INFRA)	-0.003426	0.000706	-4.850512	0.0005
D(INFRA(-1))	0.008744	0.001268	6.896152	0.0000
D(INFRA(-2))	0.004954	0.001029	4.815838	0.0005
D(INFRA(-3))	0.005331	0.000985	5.414534	0.0002
D(INFRA(-4))	0.003254	0.000810	4.019286	0.0020
D(INFRA(-5))	0.001076	0.000535	2.012891	0.0693
D(INSEC)	0.030524	0.009221	3.310357	0.0069
D(INSEC(-1))	-0.020004	0.013693	-1.460836	0.1720
D(INSEC(-2))	-0.011451	0.015971	-0.717015	0.4883
D(INSEC(-3))	0.031463	0.015685	2.005846	0.0701
D(INSEC(-4))	-0.031367	0.010294	-3.047119	0.0111
R-squared	0.940478	Mean dependent var		0.156410
Adjusted R-squared	0.794378	S.D. dependent var		0.050236
S.E. of regression	0.022780	Akaike info criterion		-4.555672
Sum squared resid	0.005708	Schwarz criterion		-3.361320
Log likelihood	116.8356	Hannan-Quinn criter.		-4.127149
F-statistic	6.437241	Durbin-Watson stat		3.136761
Prob(F-statistic)	0.001248			

Source: Author's Computation using EViews 13 (Output in Appendix)

The Error Correction Model (ECM) results confirm a significant long-run equilibrium relationship among the variables, with the error correction term (COINTEQ) coefficient of -0.276 (p = 0.0000) indicating that approximately 27.6% of any short-run disequilibrium in unemployment is corrected within one year. In the short run, changes in Total Internal Trade (D(TIT)) show a positive and largely significant relationship with unemployment, suggesting that trade expansion can reduce unemployment over several lags. Domestic Credit to the Private Sector (D(DCP)) exhibits lagged significant effects, implying that credit's impact on employment unfolds over time, while Infrastructure Expenditure (D(INFRA)) presents an initial negative effect followed by positive lagged impacts. Internal Insecurity (D(INSEC)) has a positive and significant immediate effect, indicating that security deterioration directly raises unemployment. The model demonstrates strong explanatory power (R^2 = 0.94) and overall significance (F-statistic p = 0.0012), validating its robustness in analyzing the determinants of unemployment in Nigeria.

4.2.4 ARDL Cointegration Test

Table 4.5 Cointegration Test Test Result

CE = UNEMP(-1) - (-0.018673*TIT(-1) + 0.015967*DCP(-1) - 0.050628				
*INFRA(-1) + 0.167780*INSEC(-1) + 4.137978)				
Variable *	Coefficient	Std. Error	t-Statistic	Prob.
TIT(-1)	-0.018673	0.012882	-1.449522	0.1564
DCP(-1)	0.015967	0.003699	4.316325	0.0001
INFRA(-1)	-0.050628	0.045009	-1.124858	0.2685
INSEC(-1)	0.16778	0.069365	2.418782	0.0211
C	4.137978	0.57457	7.20187	0

Source: Author's Computation using EViews 13 (Output in Appendix)

The long-run estimates Table 4.5 reveal that Total Internal Trade (TIT) has a negative coefficient (-0.0187), suggesting that expanded domestic trade is associated with reduced unemployment, though the effect is not statistically significant (p = 0.1564), likely due to informality and structural constraints. Domestic Credit to the Private Sector (DCP) shows a positive and highly significant coefficient (0.0160, p = 0.0001), indicating that credit expansion—largely directed to capital-intensive sectors—may not translate into proportional job creation and could inadvertently exacerbate unemployment. Infrastructure Expenditure (INFRA) exhibits a negative long-run coefficient (-0.0506) consistent with theory, implying that improved infrastructure supports employment, but the effect is not significant (p = 0.2685), possibly reflecting inefficiencies and volatility in public investment. In contrast, the Internal Insecurity Index (INSEC) has a positive and significant coefficient (0.1678, p = 0.0211), confirming that heightened insecurity directly elevates long-run unemployment by disrupting production, trade, and investment while displacing labour. These results underscore that while trade and infrastructure have theoretical potential to reduce unemployment, security remains a critical and empirically robust determinant in Nigeria's labour market.

4.3 Hypotheses Testing

Based on the long-run cointegration results, the hypotheses are tested as follows: For H_{01}, the probability value for Total Internal Trade (0.1564) exceeds the 0.05 significance level, indicating insufficient evidence of a long-run relationship with unemployment; thus, the null is not rejected.

For H_{02}, Domestic Credit to the Private Sector (DCP) has a highly significant p-value of 0.0001, leading to rejection of the null and confirming a significant long-run relationship with unemployment. For H_{03}, Infrastructure Expenditure (INFRA) shows a p-value of 0.2685, which is not significant, so the null hypothesis is not rejected, indicating no statistically significant long-run effect on unemployment. Finally, for H_{04}, the Internal Insecurity Index (INSEC) has a significant p-value of 0.0211, leading to rejection of the null and confirming that insecurity significantly influences unemployment in Nigeria.

4.4 Discussions of Findings
This study examined the impact of internal trade on unemployment in Nigeria from 1980 to 2024, considering the roles of domestic credit, infrastructure, and insecurity. The ARDL model confirms a long-run cointegrating relationship among the variables, indicating that unemployment is systematically linked to the domestic trade sector and its enabling environment. While internal trade (TIT) has the expected negative relationship with unemployment, it is statistically insignificant (H_{01} not rejected), suggesting that trade expansion alone cannot substantially reduce unemployment due to high informality and low productivity. Domestic credit to the private sector (DCP) exhibits a counterintuitive positive long-run relationship with unemployment (H_{02} rejected), reflecting misallocation of credit to capital-intensive sectors and supporting the relevance of Institutional Theory for reforms targeting labour-intensive SMEs. Infrastructure expenditure (INFRA) shows a negative but insignificant effect (H_{03} not rejected), highlighting the inefficiency and volatility of public investment that limit trade-enabling employment outcomes. Conversely, internal insecurity (INSEC) is a significant positive driver of unemployment (H_{04} rejected), consistent with findings from security and development reports [10, 24], as insecurity disrupts supply chains, deters investment, and displaces populations. Short-run dynamics from the ECM further indicate that about 27.6% of deviations from the long-run equilibrium are corrected annually, with immediate effects of trade and insecurity on employment fluctuations. Overall, the findings suggest that Nigeria's unemployment challenge is less about the volume of internal trade and more about structural bottlenecks, misdirected credit, infrastructural inefficiencies, and insecurity, which must be addressed to realize the employment-generating potential of domestic commerce.

5.0 Summary of Findings, Conclusion and Recommendations
This study assessed the impact of internal trade on unemployment in Nigeria from 1980 to 2024, incorporating domestic credit, infrastructure, and internal insecurity as explanatory factors using the ARDL framework. The empirical results indicate that total internal trade (TIT) has a negative but statistically insignificant long-run relationship with unemployment, suggesting limited effectiveness in reducing joblessness on its own. Domestic credit to the private sector (DCP) exhibits a positive and statistically significant relationship, implying that credit flows favour capital-intensive sectors that generate fewer jobs. Infrastructure expenditure (INFRA) shows a negative but insignificant effect, reflecting inconsistent investment and limited trade facilitation. Internal insecurity (INSEC) has a positive and statistically significant impact, confirming that violence, banditry, and social instability directly hinder employment creation and trade activities.

The study concludes that while internal trade has the potential to generate employment in Nigeria, its effectiveness is constrained by structural inefficiencies, misallocated credit, inadequate infrastructure, and pervasive insecurity. The ARDL analysis confirms a long-run equilibrium relationship among unemployment, internal trade, credit, infrastructure, and insecurity, with the error correction term showing that about 27.6% of short-run deviations are corrected annually. Trade expansion alone does not substantially reduce unemployment due to informality and low productivity, while domestic credit often fails to target labour-intensive sectors. Infrastructure investments have been inconsistent, limiting their impact, whereas insecurity significantly disrupts economic activities and labour absorption. Overall, internal trade remains an underutilized channel for job creation, requiring complementary interventions in finance, infrastructure, and security to realize its full potential.

To enhance the employment-generating potential of internal trade in Nigeria, several policy actions are recommended. First, the government should formalize and strengthen domestic trade structures through SME support, improved market integration, and efficient supply chains, including digital marketplaces. Second, credit allocation frameworks should be redesigned to prioritize labour-intensive sectors such as SMEs, agribusinesses, and manufacturing, with enhanced monitoring to ensure productive use of loans. Third, consistent investment in trade-enabling infrastructure—roads, electricity, transport, and storage facilities—should be aligned with major trade corridors, leveraging public-private partnerships for efficiency and accountability. Finally, addressing internal insecurity is critical, requiring investment in intelligence, community policing, conflict resolution, and rehabilitation of displaced persons to restore economic stability. Coordinated policies across trade facilitation, credit reform, infrastructure, and security can transform internal trade into a sustainable engine for employment, inclusive growth, and industrial expansion.

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