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EFFECTS OF FDI & REMITTANCE ON
ECONOMIC GROWTH IN NIGERIA (1981-2021)

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NICOSIA

January, 2024

Approval

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Declaration

I hereby declare that all information, documents, analysis, and results contained in this thesis were compiled and presented according to the academic rules and ethical guidelines of the Near East University Institute of Graduate Studies. I also certify that, as required by these rules and conduct, I have properly cited and referenced all non-original information and data used in this study.

FATIMA MUHAMMAD

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FATIMA MUHAMMAD

Abstract

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M.Sc. THESIS

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This research investigates the influence of foreign direct investment (FDI) and remittances on GDP in Nigeria. FDI and Remittances are two major sources of capital for Developing nations, as well as their impact on GDP has received significant attention in the literature. The research employed secondary data from the World Bank spanning from 1981 to 2021. The main variables of interest are FDI inflows, remittance inflows, and economic growth, quantified as real GDP growth rate. Control variables such as trade openness (import and export) are also included to account for their potential effects on economic growth. In addition, the ARDL technique was utilized to investigate the association of the variables. The results of this study contribute to the current literature on the topic by providing empirical research on the impact of FDI and remittances on Nigerian economic growth. The findings indicate that both FDI, as well as remittances, have a favorable significant influence on GDP. This suggests that increased FDI inflows and promoting remittance flows can contribute to enhancing Nigeria's economic growth. Based on these findings, policymakers should focus on attracting more FDI by creating favorable conditions for investment, improving infrastructure, and providing incentives for foreign investors. Additionally, efforts should be made to facilitate and promote remittance channels to ensure a smooth and cost–effective transfer of funds. This can be achieved through strengthening financial institutions, reducing remittance transaction costs, and implementing supportive policies.

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Keywords: foreign direct investment, remittances, gross domestic product, capital flows, human capital development, job creation.

Özet

DYY VE GÖNDERİLERİN NİJERYA'DA EKONOMİK BÜYÜME ÜZERİNDEKİ ETKİLERİ

Yüksek Lisans Tezi

FATIMA MUHAMMAD

Prof. Dr. Hüseyin Özdeşer (Danışmanlığında)

Doç. Prof. Dr. Abidemi Somoye

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Bu araştırma Nijerya'da doğrudan yabancı yatırımın (DYY) ve işçi dövizlerinin GSYİH üzerindeki etkisini araştırıyor. Doğrudan Yabancı Yatırım ve Yabancı Paralar, Gelişmekte olan ülkeler için iki ana sermaye kaynağıdır ve bunların GSYİH üzerindeki etkileri de literatürde büyük ilgi görmüştür. Araştırma, Dünya Bankası'nın 1981'den 2021'e kadar olan ikincil verilerini kullanmıştır. Faizin ana değişkenleri, gerçek GSYİH büyüme oranı olarak ölçülen doğrudan yabancı yatırım girişleri, işçi dövizi girişleri ve ekonomik büyümedir. Ticari açıklık (ithalat ve ihracat) gibi kontrol değişkenleri de ekonomik büyüme üzerindeki potansiyel etkilerini hesaba katmak için dahil edilmiştir. Ayrıca değişkenlerin ilişkisini araştırmak için ARDL tekniğinden yararlanılmıştır. Bu çalışmanın sonuçları, doğrudan yabancı yatırımların ve işçi dövizlerinin Nijerya'nın ekonomik büyümesi üzerindeki etkisine ilişkin ampirik araştırmalar sağlayarak konuyla ilgili mevcut literatüre katkıda bulunmaktadır. Bulgular, hem doğrudan yabancı yatırımların hem de işçi dövizlerinin GSYİH üzerinde olumlu ve anlamlı bir etkiye sahip olduğunu göstermektedir. Bu, artan doğrudan yabancı yatırım girişlerinin ve teşvik edilen işçi dövizi akışlarının Nijerya'nın ekonomik büyümesine katkıda bulunabileceğini göstermektedir. Bu bulgulara dayanarak politika yapıcılar, yatırım için uygun koşullar yaratarak, altyapıyı iyileştirerek ve yabancı yatırımcılara teşvikler sağlayarak daha fazla doğrudan yabancı yatırım çekmeye odaklanmalıdır. Ayrıca, fonların sorunsuz ve uygun maliyetli bir şekilde aktarılmasını sağlamak için havale kanallarının kolaylaştırılması ve teşvik edilmesi yönünde çaba sarf edilmelidir. Bu, finansal kurumların güçlendirilmesi, havale işlem maliyetlerinin azaltılması ve destekleyici politikaların uygulanması yoluyla başarılabilir.

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Anahtar Kelimeler: doğrudan yabancı yatırım, işçi dövizleri, gayri safi yurt içi hasıla, sermaye akışı, beşeri sermaye gelişimi, istihdam yaratma.

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ARDL: Auto Regression Distribution Lag

ECM: Error Correction Model

EXP: Export

EU: European Union

FDI: Foreign Direct Investment

GDP: Gross Domestic Product

REM: Remittance

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Nigeria, the most populous country in Africa and a significant global player has long been the focus of scholarly and policy interest due to its complex economic landscape. In recent decades, the Nigerian economy has witnessed a substantial inflow of two critical external financial sources—Foreign Direct Investment (FDI) and remittances. FDI, which represents foreign capital investments in the country, and remittances, the financial transfers from Nigerians working abroad, have become instrumental factors in shaping the nation's economic trajectory.

The crucial impact of FDI and remittances on GDP growth is underscored by their ability to boost growth, improve productivity, and alleviate financial restrictions. These external financial inflows are intended to drive economic growth, create job opportunities, and boost human capital development. The dynamics of their influence, conversely, regarding GDP, are multidimensional, which vary and depend on economic environments and policy contexts, as well as other exogenous factors. Over the last twenty–five years, there has been a considerable reorganization, such as foreign financial flows to numerous developing nations, particularly through the promotion of FDI as well as the growing significance of remittances. Simultaneously, additional elements of global capital flow have dropped and become less relevant, such as overseas assistance, investments in equities, as well as loans in a portfolio. Even though wealthier nations can use capital flows to finance investment and consumption, these flows are very motivating, so improving living standards, promoting economic growth, and potentially raising well-being in the underdeveloped world. Furthermore, because a crucial component of economic growth is the holding such as monetary as well as tangible possessions to absorb technological advances and produce resources dependence on outside funding is beneficial to cover the difference between savings and investment in capital-constrained economies. These global capital inflows are also thought to drive technical advancement and financial transformation, as well as contribute to the GDP and Efficiency of nations with adequate infrastructure and human capital. They are specifically significant for countries that are developing due to their technical Lag as well as low levels of household savings and have urged local governments to implement aggressive measures to compensate for their lack of investment. Identifying the driving force behind growth is one of the most difficult issues in modern economic growth. Money invested is a tool to improve one's standard of living. As stated by Kukaj & Ahmeti (2016), investment is among the major contributors to GDP in developing economies. As a result, FDI might spur GDP.

Furthermore, there have been inflows of FDI, and extant empirical studies have been carried out to analyze GDP differing impact of both domestic and international investment on African countries' development. Investment has the potential to considerably increase international investment in underdeveloped nations. Several researchers have looked into the relationship between FDI, domestic capital, and GDP growth of some developing countries (Ullah et al., 2014; Lautier & Moreaub, 2012; Kukaj & Ahmeti, 2016). Likewise, some other studies explored if domestic investment will significantly draw international investment in developing nations. Several researchers have looked into the linkages among FDI, local Individual developing nations experience investment as well as economic development (Ullah et al., 2014; Lautier & Moreaub, 2012; Kukaj & Ahmeti, 2016). Some researchers have used panel data to explore the influence on GDP Growth of FDI in less developed and industrialized nations (Alvarado et al., 2017; Iamsiraroj, 2016; Agbloyo et al., 2016; Adams & Opoku, 2015; Gui-Diby, 2014; Ndikumana & Verick, 2008; Sukar, 2008).

FDI inflows to investment into countries that are developing have also grown over the previous four decades (Ullah, Shah, & Khan, 2014). However, figures reveal that FDI inflows to Africa fell 21% from $50.4 billion in 2016, and slightly increased to $ 42 billion during 2017 (UNCTAD, 2018). Ahmed & Hassan, 2007). In addition, as a result of insufficient Investments as well as limitations on liquidity in developed nations, FDI is viewed considered an important means of capital infusion. further investment (Busse & Groizard, 2008). As a result, the continent of Africa is certainly not an exemption. Given the rising issue of over-investment in emerging economies, as well as the lack of realistic information on the impact on GDP growth of FDI, this paper is taken into consideration essential in addressing the empirical gap by examining the growth-differential impact of FDI, remittances economy growth in

Nigeria. Furthermore, available records show that Nigerian households received an average of ₦84,741 (billion) in remittances between 2018 and 2019. On average, domestic remittances were worth ₦62,492 billion, while overseas remittances were worth ₦22,248 billion. According to the Nigeria Living Standards Survey (NLSS) (2018/2019) released by the statistical agency in partnership with the World Bank, urban and rural areas got ₦104,726 and N71,975 in remittances on average. During the review period, remittances from relatives outnumbered receipts from international and domestic sources.

While 52.7 per cent of households got remittances from domestic sources, only 5.7% received remittances from international sources. Consumption, payment of school fees, healthcare bills, agricultural inputs, and other purposes were listed as the primary uses of cash remittances. Approximately 54.0 per cent of households in the country reported receiving remittances. According to the survey, 52.7 per cent received remittances from someone in Nigeria, while 5.7 per cent received remittances from abroad. Kebbi State had the highest proportion of household remittance recipients (81.4%), while Sokoto had the lowest at only 5.6%. According to the NBS, more than 80% of households who received remittances used the funds for spending. In terms of employment, the statistical office reported that more than 52% of the entire population is of working age--between the ages of 15 and 64. Lagos has the highest share of the working population (62.2%), while Jigawa has the lowest share (44.1%). The NLSS 2018-19 report is the first large-scale household survey in a decade, focusing on monitoring the population's living conditions. The federal government has questioned the $25 billion figure recently provided as yearly remittances from Nigerians in the diaspora, claiming that the figure was not a real reflection of diaspora remittances to Nigeria. According to the most recent NBS statistics, Nigeria's diaspora remittances were valued at $25.08 billion in 2018. Remittances from Nigerians in Diaspora increased from $3.24 billion in 2013 to nearly $25.08 billion in 2018. This means that remittances from Nigeria's diaspora increased by 126% in six years (2013-2018). Thus, Nigerians in Diaspora have sent an estimated $96.5 billion to the country in the last six years. According to the research, the stream of diaspora remittances has recently increased as more Nigerians who left the country in pursuit of greener pastures overseas sent foreign dollars to their families. For example, according to recent statistics, Nigeria ranked third in the list of countries with the highest number of Express Entry invites to Canada in 2018. However, Geoffrey Enemata, Minister of Foreign Affairs, criticized the data during a two-day technical workshop on Diaspora Remittances and Sustainable Development hosted by the Kingdom of Belgium and the French Republic. While it has been reported in recent years that Nigerians in the diaspora remit $25 billion, on an annual basis, the remittance are estimated to be worth $25 billion. However, the remittances recorded are often far below the amount reported, because of their enormous transfer that is not remitted through commercial banks but rather through parallel markets. Thus, it may be difficult to know the actual number of remittances received in a year. There is enormous financial assistance from abroad in Nigeria, especially from the diaspora, however, the channeling of these resources towards development appears to be difficult. The available report has shown that diaspora remittances sustain national development, particularly when properly exploited. However, Enyenma (2015) stated that the issue for most countries was to figure out how to channel such remittances to development. GDP and the drivers of growth have been hotly contested recently. Remittances are one of the elements that are thought to influence growth. Remittances are a type of financial transfer to a nation. that is regarded to influence its economic growth, either directly or indirectly. International is an important Consideration. contributes to huge remittances (Maimbo & Ratha, 2005). The migratory tradition is partial Because of labour surpluses in most emerging nations., resulting in numerous trained or talented workers failing to find relevant positions and hence preferring to seek greener pastures (Fagerheim, 2015).

Increasing migrant outflows are predicted to relate to increasing remittance inflows, as many Migrants feel compelled to send money home. To assist their family in their home country financially (Fagerheim, 2015). Carling (2008) there is a favourable link between remittances and several families However, there is an adverse connection among families within their nation of migration. Scholars are divided concerning whether remittances positively correlate with GDP growth in a country that receives them as a nation. If you obtain remittance through consumption, instead of for capital investment, the effects on GDP in the nation that receives them are likely to be negligible or insignificant. Growth in the economy, based on Lucas and Stark (1985), may only be significantly boosted if remittances Are invested in livestock or fixed assets. Remittance inflows are closely related to the migration hypothesis, The period of movement, whether brief or long-lasting, within or global. Literature scholars, notably Bichaka et al. (2008), discovered indicated remittances increase growth in nations with less established financial systems. It’s been stated that remittances will give an alternative method of financing investment while also assisting governments in overcoming liquidity difficulties. The debate over Remittances being a driver of growth has received much attention in the literature, particularly for developing countries. poor nations. According to Giuliano & Ruiz-Arranz (2006), remittances constitute a significant portion of foreign capital flows for developing nations. They also believed that remittances had more of an effect than (FDI) revenue from exports, and foreign aid are all examples. Remittances are additionally accepted. frequently thought of as recompense for family members who might become competent labour because of migrating. Both direct and indirect consequences. The influence of Remittances to family members and growth in the economy must be prioritized. thoroughly examined. According to the literature, the Indian economy is the world's largest beneficiary of remittances, followed by the Nigerian economy.

Remittances vary by country, and they account for a larger proportion of the receiving country's GDP. Remittances have the potential to boost a country's capital accumulation and promote economic growth. It may also help a nation's growth in the economy by influencing the banking sector's expansion. It is vital to understand the impact remittances may have on GDP growth. As such, one might be concerned about how remittances affect exports and imports. The microeconomic effect takes into account two households, while the rate and number of migrants are also included as remittance consumption and remittance sending structure, depending on every migrant's capacity to send, which depends on their revenue stage, degree of education, and gender as well, among other factors (Lucas & Stark, Inflows of remittances from migrant workers are a substantial contributor to capital flows internationally, especially to poor nations, with an emphasis on the continent of Africa (Adeyi, et al. 2015;). According to one hypothetical strand, worker remittances are primarily spent for consumption and so have a negligible effect on capital. Remittances likewise are generally regarded as compensating Transfers among the Families who have lost their job skills Because of migrations. Migrant remittances are typically used for investing. Remittances are presumed to be driven. by profit, increasing when domestic finances improve. Remittances have emerged as a viable source of foreign funding. money as well as different kinds of foreign exchange profits for people as well as states, particularly those in developing nations (Adeyi, 2015). Remittances are receiving a lot of attention as Drivers of growth in the economy. The amount of the remittances received, especially by. The importance of developing countries cannot be overstated.

The degree to which it affects or helps growth in the economy should be explored, as should the influence of each component of remittances to receiving countries (Imoughele & Ismaila, 2014). Nigeria surpassed Angola as well second. The most populated nation in Sub-Saharan Africa in 2001 and 2002, according to sources, Nigeria attracted 70% of all FDI in the West African countries (UNCTAD, 2003). Regardless of the current situation, FDI often flows into many less developed nations and the capital usually helps the recipients to develop. Nigeria's economy has been marked by low capacity for production utilization, high prices, a large debt load, an elevated rate of unemployment, a high level of economic inequality, intermittent electrical power, poverty, and instability and insecurity. Apart from oil revenue, FDI has been another source of revenue for Nigeria as external finance among other developing nations. Accordingly, it accounts for roughly double the amount of government help received, in both comparative and relative terms (Olowe & Olowe, 2013; Beck et al., 2000; Beck et al., 2007). Among the benefits of remittance inflows is capital formation. In contrast to private capital flows, remittances are constant and rise across economic downturns and natural disasters (Yangs, 2008). While a rise in remittances inflows, especially Aid flows. It can reduce the competitiveness of a nation, although remittances do not appear to be having the same impact.

According to remittance research, even though the petrodollar is the most important origin of foreign cash, Nigeria's net income is second only to remittances from Nigerians living overseas. World Bank information. According to the bank, remittances in 2011 totalled \$10.681 billion, up from \$1.392 billion in 2001, representing a 767 per cent increase in a decade. When evaluating remittances to growth in Nigeria, current data suggest that remittances were 5% of GDP in 2011, 4% in 2012 and 2013, 3% in 2013, and 3% in 2015 and 2016, accordingly. These enormous benefits of remittances for the country's economy have Neither been sufficiently examined among lawmakers in Nigeria. Thus, this research tends to divert policymakers' attention to the critical remittances that play an important role in increasing activities in the capital market, assisting in the provision of infrastructure that is productive, and increasing the actual consumption of goods and services in Nigeria.

Despite the rising acknowledgement of the critical roles foreign direct investment and remittances play in Nigeria's economic landscape, there is a knowledge vacuum addressing asymmetries in their effects on economic growth. This research paper seeks to fill that vacuum by investigating the asymmetric influence of FDI and remittances on GDP, focused on Nigeria. It specifically examines the dynamic link between FDI, remittances, and GPD in Nigeria, and identifies potential asymmetric effects of these external financial inflows on GDP.

1.2 The Problem of Statement

Nigeria, the populous and resource-rich nation in Africa, stands at a critical juncture in its economic development. In recent years, it has experienced an influx of both FDI and remittances from its overseas diaspora. While these financial inflows can contribute a substantial contribution towards the country's GDP, there is a pressing demand to comprehensively analyze the effects of foreign direct investment and remittances on Nigeria's economic development. Nigeria has actively sought to attract FDI to bolster its economic growth. However, there remains a lack of clarity regarding the extent the FDI genuinely contributes to Nigeria's economy. This ambiguity hinders a thorough understanding of the effectiveness of FDI as a trigger for sustainable GDP in Nigeria.

In addition, remittances, and economic growth: Nigeria boasts a substantial diaspora that sends back remittances, which have become a vital source of income for the majority of the country. However, the impact of remittances on the overall economy remains inadequately explored. FDI and remittances may impact different segments of the population and regions within Nigeria disparately. An exploration of the impact on income inequality, regional development, and the distribution of benefits among various sectors of Nigerian society is vital.

There is a need to investigate whether FDI and remittances complement or compete with each other in influencing economic growth within Nigeria. It is essential to understand whether these two forms of financial inflow work harmoniously or if they inadvertently offset each other's contributions.

The significance of FDI to GDP growth has been represented in a multitude of large empirical contributions from various academics in the past. However, the findings on the effects of FDI and remittances on GDP are either inconclusive or mixed. Several research on the nexus between remittances and GDPO exist but their outcomes are mixed. More so, many of these studies modelled the link between foreign direct investment, GDP, remittances, and economic growth in linear forms. However, this may be incorrect if a divergence trend exists among the variables that previous studies have not taken into consideration. As a result, this work investigates the effects of FDI and remittances on GDP, focusing on Nigeria, and whether nonlinear relationships exist among the variables. This work will add to the existing literature.

1.3 Research Questions

1. What is the impact of FDI on Nigerian GDP?
2. What is the impact of remittances from the Nigerians in the diaspora on the Nigerian economy?

These research questions will provide a clear direction for the study and address various aspects of the nexus between FDI, remittances and GDP in Nigeria, including their interactions, and policy implications.

1.4 Research Objective

The primary object of this research is to analyze the effects of FDI and remittances on GDP in Nigeria. The specifics are to:

1. Analyze the impact of FDI on GDP in Nigeria.
2. Analyze the impact of remittances on GDP in Nigeria.

1.5 Contribution of the Study

Empirical Evidence for Informed Policy Making: This study will give actual data about the impacts of FDI and remittances on GDP in Nigeria. Quantifying and analyzing the effects of these financial inflows will offer a solid foundation for policymakers to make informed decisions regarding economic development strategies, and an enhanced understanding of the GDP-FDI relationship in developing nations. A clear understanding of the FDI-GDP relationship is established through assessment of the actual contributions of FDI to GDP, imports and exports also considered as control variables. The study will help policymakers and stakeholders evaluate the effectiveness of FDI attraction policies.

Insights into Remittances' Economic Significance: This analysis will provide insight into the economic growth, and significance of remittances by examining their impact on household consumption, savings, investment, and overall contributions to GDP. This knowledge can guide strategies for harnessing remittances as a source of financial stability and development. Synergies and Trade-offs Analysis: By exploring potential synergies or trade-offs between FDI and remittances, the research will provide insights into how these financial inflows interact within the Nigerian economy. Such insights can help policymakers optimize the balance between these two sources of funding.

This research will provide valuable policy recommendations based on its findings, helping the Nigerian government and stakeholders develop strategies that maximize the positive contributions of FDI and remittances while minimizing potential risks. These recommendations can promote sustainable economic growth. A thorough knowledge of the importance of FDI and remittances on GDP can inform and guide government policies and strategies aimed at maximizing their positive effects while mitigating potential risks. Addressing these key problems, it aims to contribute to a deeper knowledge of the role of these financial inflows in shaping Nigeria's economic future, ultimately guiding policymakers toward informed decisions for sustainable and equitable development.

By adding empirical data and analysis on the present academic literature on the effects of FDI and remittances on GDP. This research will add to the understanding. base in the field of economics and international finance. The research will build a well-documented data set, which can be used for future studies and policy assessments related to FDI, remittances, and GPD in Nigeria. This data set aims to be a valuable resource for researchers and policymakers seeking to further explore these issues.

Understanding the impact of FDI and remittances on Nigerian GDP is paramount. This research has substantial policy implications and can guide policymakers in formulating strategies that harness the full potential of these external financial sources to foster sustainable economic growth. Moreover, the findings contribute to the broader discourse regarding the role of external monetary inflows in shaping GDP development trajectories in emerging economies.

1.6 Significance of the Study

This research consists of several chapters, each contributing a comprehensive analysis of the impact of FDI as well as remittances impact of GDP in Nigeria. The subsequent chapters will include a view of the relevant literature and the theoretical framework, data and methodology, empirical analysis, a discussion of findings, and a conclusion summarizing the key insights and implications. The study runs from 1981 until 2021. The choice was based on the country's data availability beginning in 1981 and covering the areas of general investment reforms designed to attract both FDI remittances and economic growth.

We structured the remaining part of this work in Chapters as follows: After Chapter 1 which presents the introduction, Chapter 2 focused on the literature review, covering the theoretical framework and empirical research. Chapter 3 captures the differences between the FDI and GDP of EU and developing countries and Chapter 4 reviews the impacts of FDI on the politics of a country. Chapter 5 provides methodology, and Chapter 6 presents results and findings and results discussions. Lastly, the summary, conclusion, and suggestions are included in Chapter 7.

1.7 Hypothesis

H0: There is a positive connection between FDI and GDP.

H1: There is a positive association between remittances and GDP.

CHAPTER II

LITERATURE REVIEW

Remittances and FDI are both major resources for external finance for developing nations like Nigeria. They have the potential to possess a substantial influence on the nation's GDP and contribute to its growth.

Foreign direct investment (FDI) may bring new technology, information, and skills to the host nation, resulting in the development of new sectors and the extension of current ones. This can create job possibilities and boost the country's labour productivity. FDI can also result in the transfer of money and foreign exchange, which can then be utilized to invest in other areas of the economy.

Remittances, on the other hand, are typically sent by migrants to family and friends back home. Remittances are an important source of income for developing-country homes, helping to alleviate poverty and improve living conditions. Remittances are a significant source of foreign cash in Nigeria, and they have been continuously rising over the years in the past.

Extant studies have examined the influence of FDI and remittance on GDP. Based on various studies, FDI is seen to have a favourable influence on GDP. while others say that the effect is insignificant. Similarly, some research indicates that remittances have a favourable influence on GDP, while others find no effect.

Overall, FDI and remittances can benefit the Nigerian economy and contribute to its growth. However, the real impact may be influenced by several things including the quality of institutions, the degree of human capital and the country's business climate. Policymakers must establish an enabling environment that supports and attracts FDI, as well as adopt policies that stimulate and attract FDI. facilitate the effective use of remittances for development purposes.

Over the years, the Nigerian economy has witnessed substantial expansion and transformation. (FDI) and remittances from overseas are two important economic development elements. Therefore, the paper investigates the influences on GDP of FDI and remittances in Nigeria.

2.1 Conceptual Issues

FDI is a driver of global GDP interdependence. (FDI) emerges as an informational force in the complicated fabric of global economic connections, linking states and supporting economic progress. (FDI), defined as investment made by an individual or entity in one nation in a firm or asset situated in another, is critical in altering economic landscapes, supporting technical developments, and promoting international collaboration.

Scholars have looked into the many facets of FDI, offering useful insights into its influence on economies throughout the world. Hymer (1960) established the notion of market defects as a driving force behind FDI, arguing that businesses invest abroad to use market dominance and overcome trade restrictions. Kindleberger (1969) elaborated on this idea, emphasizing the significance of oligopolistic corporations in pursuing overseas markets to preserve market domination.

Dunning's (1979) eclectic theory of FDI extended our knowledge of FDI determinants by suggesting three essential factors: ownership benefits, location benefits, and internalization benefits. Firms' distinctive assets and competencies that allow them to compete effectively in international markets are referred to as ownership advantages. Location benefits are elements like skilled labour, market size, and infrastructure that make a country an appealing location for FDI. Internalization benefits are the advantages of internalizing manufacturing processes within a company rather than depending on external market interactions.

Measuring FDI: Calculating the GDP Impact

Economists frequently use net inflows as a metric to express as a percentage of GDP to analyze the relative importance of foreign transfer in the economy of a country. This metric indicates the overall FDI intake into a nation over a certain period, representing a proportion of the economic growth. A greater proportion implies a greater relative contribution of FDI to the nation’s overall GDP activity.

Understanding the Economic Importance of FDI Net Inflows

An increase in FDI net inflows relative to GDP is often interpreted as a good indication, indicating that the country is attracting foreign investment and creating a favorable climate for foreign firms. This can result in more job possibilities, technical improvements, and improved GDP growth prospects. It is crucial to highlight, however, that the influence of FDI on a nation's economy is diverse and depends on a variety of factors, including the composition of FDI inflows, the efficiency of government policies, and the country's general economic conditions.

Embracing Foreign Direct Investment for Long-Term GDP

FDI is a cornerstone of global economic interdependence, promoting money, technology, and knowledge exchange. expertise across borders. Understanding the concept of FDI, its determinants, and its measurement through the net inflows as a proportion of economic growth is crucial for policymakers, business leaders, and economists alike. By harnessing the potential of FDI, nations can embark on a path towards sustainable economic growth and prosperity.

Remittances and GDP

Personal remittance stands out as a transforming force in the complicated fabric of global financial flows, crossing boundaries and linking families across continents. These monetary transfers, methodically sent back to their home countries by persons working abroad, serve a critical role in maintaining livelihoods, spurring economic growth, and empowering individuals and communities in developing countries.

Personal Remittances: An International Phenomenon

Personal remittances, also known as worker remittances or migrant transfers, are monetary or material assets sent by people working or living abroad to their families and relatives back home. These payments are often made via official channels, such as banks or money transfer services, or via informal arrangements, such as family networks. and community intermediaries.

Personal Remittances' Persistence as a Catalyst for Progress

Personal remittances have surpassed many financial inflows including Official Development Aid (ODA) and it has been an important source of foreign exchange for poor nations in the current decade. According to the World Bank, personal remittances will exceed $680 billion in 2022, underscoring their rising importance in the global financial environment.

Personal Remittances' Multifaceted Impact: A Transformation Catalyst

Personal remittances contribute to developing nations' economic and social well-being in a variety of compelling ways. Personal remittances are a significant source of income for numerous families, particularly in low-income nations, allowing them to meet basic requirements such as food, housing, and healthcare while escaping the grips of poverty.

Personal remittances directly contribute to economic growth by boosting local consumption, supporting small enterprises, and fueling investment in infrastructure and education. Women's Empowerment: Personal remittances frequently benefit women disproportionately, giving them financial liberty and allowing them to engage more actively in economic and social realms. Personal remittances can help underdeveloped nations improve education, healthcare, and sanitation, hence improving overall human development metrics.

Navigating Difficulties and Seizing Opportunities: Improving Remittance Effectiveness

While personal remittances provide significant advantages, obstacles remain in maximizing their impact: High Transaction Costs: Formal remittance channels sometimes charge exorbitant fees, decreasing the amount that reaches beneficiaries.
Financial Inclusion Imperative: Remittance beneficiaries' access to formal financial services may be limited, limiting their capacity to handle and utilize these monies efficiently. Governments may play a critical role in creating supportive policy frameworks that encourage efficient and low-cost remittance channels.

Impactful Investments for Sustainable Development: Encouraging remittance beneficiaries to participate in productive activities like education, microenterprises, and asset acquisition can multiply their development effect.

Personal remittances are a tremendous development force, providing a lifeline for families, spurring economic growth, and empowering individuals and communities. Remittances are a monument to the durability and resourcefulness of human relationships across boundaries as the globe grapples with the issues of poverty, inequality, and sustainable development. Personal remittances can continue to play a transformational role in forging a more egalitarian and prosperous future for developing countries by addressing the difficulties and capitalizing on the potential.

Gross Domestic Product (GDP) in Constant 2015 US Dollars: The inflation-adjusted measure of Economic activities in Gross Domestic Product (GDP) a cornerstone During the complicated web of GDP indicators, representing on aggregate the market worth of every product and service produced inside the borders of a nation over a specific time, typically year. However, to effectively evaluate economic performance across time and nations, inflation, or the steady increase in GDP or expenditure often taken into consideration. This is where GDP in constant 2015 US dollars enters the picture.

Adjusting for Inflationary Distortions is a definition and purpose statement

GDP in constant 2015 US dollars, commonly known as real GDP, is an inflation-adjusted measure of GDP expressed in terms of 2015 prices. This is accomplished by translating GDP data from current prices to constant prices with the use of a deflator, which is a price index that reflects the average change in prices over time. Real GDP, by choosing a base year such as 2015, enables valid comparisons of economic performance across various periods or nations while removing the distorting effects of inflation.

Scholarly Views on Real GDP

Real GDP, as opposed to nominal GDP, which is stated in current prices, has been emphasized by academics as a more realistic indicator of economic growth. According to Dornbusch &Fischer (1994), real GDP offers a more accurate representation of a country's ability to generate goods and services because it eliminates the illusion of growth caused by inflation. Similarly, Krugman & Obstfeld (2008) argue that real GDP is a more trustworthy predictor of living standards since it represents income's true buying power.

Economic Trends: Interpretation and Applications

Real GDP is a useful tool for economists, politicians, and business executives to use in assessing economic trends and making sound decisions. Real GDP growth rates can be used to assess an economy's general health, highlight possible areas of concern, and assess the impact of economic initiatives. Furthermore, real GDP data is critical for international economic comparisons, allowing states to compare their performance to that of global counterparts.

Considerations and Limitations: A Multifaceted Measure

While real GDP gives useful information about economic performance, it is vital to understand its limits. Non-monetary economic activities, such as domestic production or environmental quality, are not included in real GDP. Furthermore, real GDP growth may not automatically translate into higher living standards for all groups of society, since income inequality can remain even during periods of economic expansion.

Accepting Real GDP for Informed Economic Analysis

GDP in constant terms 2015 US dollars is an essential instrument for assessing economic performance, offering a more precise measure of economic growth and allowing meaningful comparisons across time and nations. By correcting for inflation, real GDP provides a more accurate picture of a country's ability to generate goods and services. And the implications for overall living standards. As economists, policymakers, and business leaders strive to understand economic trends and make informed decisions, real GDP remains a cornerstone of economic analysis.

Imports (in US Dollars Constant in 2015): A Measure of Global Trade and Economic Interdependence. Imports of products and services are a monument to the interconnection of nations, symbolizing the influx of commodities and services from one country into another in the rich fabric of global business. These incoming commodities, which range from basic raw materials to sophisticated consumer goods, play an important role in building economies, influencing consumer choices, and propelling industrial expansion.

Measuring the Inflow of Foreign Services and Products (Definition & Purpose)

Effects Products and services, often known as merchandise imports, include any items, or services purchased in one nation, and transported to another for consumption or use. They span a wide range of products, from agricultural goods and textiles to machinery and electronics, all of which contribute to importing nations' GDP environment.

Scholarly Perspectives on Imports: Unravelling Their Causes and Consequences

Scholars have dug into the many facets of imports, giving useful insights into their influence on economies throughout the world. Krueger & Grossman (1995) proposed trade liberalization as a driving force behind import growth, arguing that lowering trade barriers can result in higher imports and improved consumer welfare. Krugman (1979) emphasized the role of comparative advantage in driving import patterns, suggesting that countries import goods and services that they can produce less efficiently than their trading partners.

Quantifying Import Flows: Assessing Global Trade Trends

Assessment of imports and their impact on global economies: The World Bank and International Monetary Fund (IMF) utilize comprehensive data collection and estimation methodologies. These methodologies involve gathering data from various sources, including national statistical agencies, trade organizations, and shipping companies. The World Bank's estimates suggest that global imports of Services and products surpassed $25 trillion in 2022, highlighting their growing prominence in the global economy. Imports of goods and services hold substantial implications for both international consumers as well as the broader economy:

Consumer Choice and Welfare: Imports provide consumers with a wider variety of goods and services at competitive prices, enhancing their choice and potentially improving their overall welfare.

Domestic Competition and Industrial Efficiency: Imports can stimulate domestic industries by exposing them to global competition, and fostering innovation, efficiency improvements, and technological advancements.

Economic Growth and Development: Imports can contribute to economic growth by providing access to essential inputs for domestic production and by expanding export markets for domestic producers.

Current Account Balance and External Debt: A trade deficit, where imports exceed exports, can affect a country's current account balance and external debt position.

Price Stability and Inflation: Imports can help moderate domestic inflation by providing an alternative source of goods and services, reducing the power of domestic producers to set prices.

Embracing Imports for a Thriving Global Economy.

Imports of Services as well as goods play a pivotal role in the global GDP, facilitating trade, fostering competition, and contributing to GDP and development. Understanding the concept of imports, their determinants, and their measurement through constant 2015 US dollars is crucial for policymakers, business leaders, and economists alike. By embracing trade policies that promote open and fair exchange, countries can reap the rewards of a dynamic and interconnected global economy.

Import of goods as well as services (% of economic growth): A measurement of Economic Openness and Global Integration. In the intricate tapestry of global commerce, exports of goods and services stand a testament to a nation's economic openness and integration into the world economy. This metric, expressed as a proportion of the GDP, quantifies the proportion of a nation’s domestically produced Products and services that are sold on foreign markets. It serves as a vital indicator of a nation's ability to compete internationally, generate foreign exchange earnings, and stimulate economic growth.

Defining Exports: A Cross-Border Exchange of Goods and Services

Exports, in essence, represent goods or services produced within a country's borders and sold to consumers or businesses in other countries. These outbound commodities, spanning from raw materials and agricultural produce to manufactured goods, technology, and intangible services, traverse geographical boundaries, connecting economies and fostering global interdependence.

Measuring Exports as a proportion of GDP: Gauging Economic Transparency. To assess the relative export orientation of a nation, economists express exports. As a proportion of GDP, this metric provides a standardized measure of a country's participation in global trade, allowing for meaningful comparisons across countries with varying economic sizes and structures. A higher percentage of exports to GDP generally indicates a greater degree of export-led growth and dependence on foreign markets.

Scholarly Perspectives on Export-Driven Growth: Unveiling the Economic Benefits

The multifaceted implications of exports on a nation's economy have been extensively studied by scholars. Balassa (1963), in his seminal work on "The Theory of Economic Integration," pioneered the concept of export-led growth. He posited that exports could act as a catalyst for economic expansion by stimulating domestic demand and supply, leading to higher production, distribution and consumption. This notion was further refined by Krugman (1979) in his influential book "The New Trade Theory." Krugman emphasized the role of exports in promoting specialization, technological innovation, and efficiency gains, enabling countries to exploit their comparative advantages and compete effectively in the global marketplace.

Numerous empirical studies have substantiated the positive correlation between export growth and economic prosperity. For instance, a study by Sachs and Warner (1995) examined the economic performance of 180 countries over the period 1960-1989 and found that an increase of 1% point in the export-to-economic growth ratio was affiliated with a 0.3%-point increase in GDP growth. Similarly, a study by Frankel & Roomer (1999) analyzed data from 50 countries over the period 1950-1990 and concluded that export-led growth is particularly beneficial for developing economies.

Economic Advantages of Export-Led Growth: A Catalyst for Progress Exports offer a multitude of economic advantages to nations that embrace them:

Economic Growth: Exports drive economic growth by expanding market reach, increasing production, and creating jobs. They stimulate domestic industries, foster innovation, and enhance productivity.

Foreign Exchange Earnings: Exports generate foreign exchange earnings, which can be used to finance imports, repay debts, and invest in infrastructure and social programs. They strengthen a country's external balance and currency position.

Technology Transfer and Knowledge Spillovers: Exports expose domestic firms to global competition and best practices, fostering technology transfer, knowledge spillovers, and improved product quality.

Economic Diversification and Resilience: Exports reduce a nation's reliance on domestic demand, making its economy less vulnerable to domestic shocks and expanding its market base. They act as a buffer against economic fluctuations and enhance resilience.

International Recognition and Reputation: Strong export performance enhances a country's reputation in the global marketplace, attracting foreign investment and opportunities. It demonstrates a nation's ability to produce high-quality goods and services that meet international standards.

Policy Considerations for Promoting Exports: Nurturing Global Competitiveness Governments play a pivotal role in fostering export-led growth by implementing supportive policies that enhance a nation's competitiveness in the global arena:

Trade Facilitation: Reducing trade barriers, streamlining customs procedures, and improving infrastructure can reduce export costs and enhance market access for domestic firms.

Export Promotion Programs: Providing financial assistance, training, and market research support to exporters can help them overcome market entry barriers, identify potential customers, and expand into new markets.

Investment in Education and Research: Investing in education, research, and development can enhance a nation's technological capabilities and competitiveness in global markets, fostering innovation and productivity gains.

Currency Exchange Rate Management: Maintaining a stable and competitive exchange rate can make exports more affordable in foreign markets, boosting export demand.

Strategic Trade Agreements: Negotiating and implementing strategic trade agreements with key trading partners can reduce or eliminate trade barriers, providing preferential.

2. 2 Theoretical Framework

The standard economic model serves as the theoretical foundation for the influence on GDP growth of FDI and remittances. According to the standard economic model, worker remittances, FDI, as well as other private capital investments are important sources of foreign exchange revenues. Remittances are less volatile and procyclical, making them a more predictable source of revenue for households and agricultural productivity. Remittances assist individuals in financing their consumption, spending, and investments, and recipients' Remittances can be spent on investments instead of consumption. to positively benefit. The domestic economy (FDI) is critical to Nigeria's GDP growth. However, the effects of FDI on Nigerian GDP are uncertain, and further research is needed to determine the trajectory of causation. The bureaucratic character of the economic environment, over-reliance on crude oil, lack of development and execution of suitable remittances programmers, Political insecurity and bribery have all been recognized as important issues acting against remittances' positive impacts in Nigeria. As a result, before remittance inflows may favourably affect economic growth, they must be put in the productive industry. More research is needed to define the between FDI, remittances and Nigerian GDP. However, FDI and remittances are important sources of foreign revenue for Nigeria.

Remittances are a source of foreign cash, direct enterprise, assistance, and private capital expenditure. Remittances are the second main source of foreign inflows into Sub-Saharan Africa, (SSA) following FDI. According to the World Bank. Nigeria was sixth Among the best ten remittances receivers Around the globe in 2015, with $20.8 billion, accounting for 4.4% of Nigeria's economic growth and between 2011 and 2015, the GDP grew at an average rate of 6.8%.

Several papers have been conducted to study the relationship between remittances and Nigerian GDP. Danmola & Abba (2013) investigated on nexus between remittances and GDP in Nigeria and discovered that remittances are highly connected to GDP in Nigeria. Adigun & Ologunwa (2017) discovered that remittances are associated with economic growth because they assist individuals fund their consumption, spending, and investments. According to their findings, recipients of remittances should spend more than what they consume to have a beneficial impact on the domestic GDP.

FDI is an additional major source of foreign income for Nigeria. However, the nexus between FDI and GDP is complex in the country. According to Antenor (2019), FDI has a positive impact on Nigeria's GDP. However, Bird & Choi (2020) discovered that FDI has a detrimental impact on Nigerian GDP.

2.3 Related Studies

A body of studies has provided empirical investigation of FDI, remittances and GDP relationship particularly in developing countries using an array of methods. For instance, Das & Sethi (2019) employed the panel data method. They discovered in their analysis Remittances have a huge effect on Sri Lanka's GDP. They concluded That transfer from migrants improves family income and, as a result, the amount of domestic spending.

Alalaya (2010) employed a cointegration-based autoregressive distributed lag (ARDL) model is used to analyze the economic situation of Jordan. instance from 1990 to 2008 to analyze the link between foreign direct investment and economic growth. The findings point to unidirectional causality. Coon & Neumann (2015), on the other hand, analyzed the link between remittances and FDI in 118 nations in development from 1980 to 2010. discovered that a 10% rise in foreign direct investment (FDI) flows correlates to a 3.6% rise in remittances. The findings suggest that migrant remittances and FDI are mutually beneficial. With a substantial infusion of foreign direct investment giving growth financing to sending nations, remittances are increasing. a significant influx of migrants from other countries. Remittances boost FDI by giving appropriate information and decreasing uncertainty. Sothan (2018), for example, used the linear regression model to examine the effect of foreign aid on Cambodian GDP from 1980 to 2014. Utilizing the linear ARDL model. He found that negative link between FDI and GDP. He found that there is a positive correlation between GDP and remittances.

Within reality, Williams (2018) studied the influence analyze the influence of remittances on GDP growth by employing panel data from 109 nations. He discovered that migrant remittances boost economic development in nations with effective governance. Javaid (2017) investigated the influence of external capital inflows, including remittances, foreign direct investment (FDI), and official development assistance (ODA), on the economic development of Pakistan. from 1973 to 2014. Results indicate that ODA and FDI have an impact on Pakistan's GDP both in the short- and long-run. However, the author concluded that remittances play little significance in explaining fluctuations regarding Pakistan's economic development. The author believes that the link between remittances and GDP growth could be the reason. This might be attributed to the fact that the former are utilized for ingestion. rather than to boost overall economic growth. Furthermore, given the low labour-force participation rate, a big influx of remittances can have a detrimental influence on GDP. Another factor regarding the negative effects of migrant remittances on GDP is their inefficient usage.

Nguyen (2017) has used the ARDL framework model to test the impact of FDI, both short- and long-run, on Vietnam's GDP expansion from 1986 to 2015. The findings result in significant and favourable long-term benefits and inconsequential short-run connections.

Multiple investigations have discovered empirical evidence that public Economic assistance has a beneficial impact on GDP growth. (Karras, 2006). Cungu & Swinnen (2003) investigated the influence impact of assistance on GDP growth using the fixed effects model. Their findings suggest that help has a beneficial impact on the economy.

According to other research, foreign assistance hurts recipient countries' economic progress. Long-term economic growth is significantly harmed by help. These unfavourable findings are consistent with previous and contemporary research (Rajan &Subramanian, 2008; Ali & Isse, 2005).

A recent study conducted by Ukhtiyani & Indartono (2020) investigated the relationship between government development aid and migrant remittances and Indonesia's GDP growth using a qualitative study involving case studies and interview data collection to investigate the damages in the family structure system in the hometown of Indonesian migrant workers in Malaysia. Their findings indicate that migrants' funds are being directed Regarding food purchases. Furthermore, Indonesia is distinguished by a lack of functional facilities, which inhibits international capitalists.

Blonigen & Piger (2011) examined whether a correlation exists between FDI and GDO growth. They found that classic gravity variables such as cultural considerations and distance factors per capita economic growth, regional trade and the relative endowment of labour agreements as FDI factors influence GDP. Other characteristics include international trade operationalization, commerce facilitation and simplicity of doing commerce in the domestic occupational, infrastructure, and primarily financial institution. Almfraji & Almsafir (2014) examined FDI- GDP relationship growth, data spanned from 1994-2012 and analyzed using panel technique. Their results revealed that FDI influences GDP growth, significantly and positively. Conversely, in other cases, other studies found that the connection is insignificant and negative. Blonigen & Piger (2011) examined the FDI-GDP relationship and found that complementary factors such as social capital and financial depth play a central role in the relationship. Furthermore, the nexus between FDI and GDP growth is heavily influenced by interacting indices such as financial market development, enough shared capital, local and foreign trade, free occupation procedures, and good governance, among other factors. Malik (2020) explored the effect of national income, FDI, and the price of oil on both carbon and economic growth. The research used ARDL and Granger causality techniques on data spanning 1971-2014. Their analysis shows that both short- and long-run increases in carbon emissions are associated with economic development and FDI. This is in line with the discovery concluded by Yue (2016), who studied the influence on GDP of FDI for 104 cities in China. The research identified variations in the efficiency of green growth across different cities. They affirmed that FDI improves economic development in urban areas of China. Moreover, when the efficiency of green development was analyzed in terms of economic and environmental impact and concluded that foreign enterprise advances China's economy.

Nevertheless, the impact of FDI differs across different nations. FDI enhances environmental sustainability in emission-intensive regions, mostly by fostering efficiency in the local economy. FDI increases both the economy and environmental performance in areas with no emissions, while also enhancing green efficiency. Lateef and Leffen (2019) examined the impact of FDI inflows on Pakistan's energy production. They used data from 1990 to 2017 and employed the VECM (Vector Error Correction Model) for their analysis. The researchers discovered that the energy sector had the greatest advantages from foreign direct investment (FDI) inflows. The research found a clear and reciprocal cause-and-effect link between economic development and energy production. The long-run outcome also demonstrated a causal connection between the factors. Suggestions were put up to uphold the minimum debt threshold and prevent development dependent on loans. Implementing such a system might effectively regulate energy limitations and foster growth in the economy.

Wu et al. (2020) studied the FDI-GDP causal relationship, focused on China. They found that there was a curvilinear relationship between FDI and GDP, with a negative connection. The analysis indicates that foreign companies contribute significantly to the local income of China. They further discovered that FDI considerably displaces government expenditure. Liang (2021) examined the FDI-GDP growth relation and obtained data spanning 2000 to 2019. They applied both the fixed-effect technique and instrumental technique to test the hypothesis of no relationship between FDI and GDP growth. Their conclusion reflected that an augmentation of 10% in the inflow of FDI would enhance the GDP growth of rising nations.

In their study, Feng and Azam (2021) inspected the impact on GDP growth in emerging nations of FDI. The analysis included 37 developing nations characterized by lower and middle-to-upper incomes. The researchers used cross-sectional data collected between 1985-2018 and employed the ARDL framework. As their results show, FDI has a significant effect on the GDP of less developed countries. At the same time, it has a detrimental effect on developed economies. Lateef el at. (2021a) investigate the influence on GDP of carbon emissions in the context of FDI in the Asian economy. Their study also examined the correlation between growth, and carbon emissions, and Azam & Feng (2021) employed mathematical modelling to examine the influence of foreign assistance on the economic growth of emerging nations. According to the research, different types of foreign help have different beneficial effects on the economic progress of developing nations.

To summarize, the research showed that FDI-carbon dioxide emissions about GDP are intricate and contingent upon several elements. While several studies have shown a favourable correlation between Foreign Direct Investment (FDI) and GDP growth, others have identified a negative or inconsequential correlation. Similarly, several research discovered a nonlinear link between foreign direct investment, remittances, and GDP growth.

Ibrahim & Acquaah (2021) analyzed FDI-GDP growth and financial growth in Africa. They used a panel data set including 45 nations and gathered data spanned 1980-2016, using the Granger non-causality approach. Their panel's result revealed that FDI and GDP are related but it is trivial depending on growth factors. Concurrently, they revealed a connection between growth in the banking sector, economic development over the research period, and foreign direct investment. They discovered that an increase in GDP reduces GDP growth by 1.21%.

In their study, Fayissa & Nsiah (2010) observed the correlation between remittances and GDP growth in 36 African nations. They used data from developing nations spanning 1980 to 2004. Their research demonstrated that remittances influence the

GDP growth of selected African nations. Javid el at. (2012) examined the impact on GDP and alleviation of poverty of remittances and applied the RDL method to data spanned 1973- 2010. The researchers discovered that remittances had a substantial impact on economic development, as shown by their results. The results also showed that remittances had a substantial effect on the alleviation of poverty. Salahuddin and Gow (2015) explored the GDP growth-remittances relationship under cross-sectional dependency. The econometrics methods used were the panel unit root test and Pooled (PMG) framework. As they inferred, remittances have an impact on GDP. The research further discovered that short-term fluctuations in economic development are rectified by 0.037% in the long term, as verified through the significance of the error term. Comes in 2018 examined the correlation among FDI, remittances, and GDP growth in seven Central and Eastern European nations with a GDP per capita below US$ 25000. The research revealed a favourable impact. Throughout the study period, the presence of FDI, remittances, and economic progress was noted. Nevertheless, it is observed that FDI influences GDP growth.

Imran et al. (2021) conducted a study using panel data from 1994 - 2017 to investigate the relationship between remittance and economic development in South Asian nations. The econometrics investigation included panel fixed-effect and random-effect models, and the better model was detected by the Hausman specification test. They found remittances to have a significant effect on the GDP development of South Asian nations. The relationship between exports, employment creation, and economic growth is both direct and influential. In contrast, inflation has an inverse correlation with economic progress. According to their study, it is recommended that the government create a strategy to lower the expenses associated with sending remittances to discourage the use of unofficial methods for transferring remittances. This is important as remittances in supporting economic development and employment play a crucial role.

Adeseye (2021) examines remittances growth correlation in Nigeria from 1990-2018, adding to the existing discourse on the topic of remittances and economic growth. Analyzed were secondary data about remittances, inflation, imports, exports, and GDP. The quantitative analysis revealed that remittance had a favourable and substantial impact on GDP, exports and imports for the research. Controlling for other factors, inflation had little impact on remittances. The report recommended that officials in the nation use remittances as a means to stimulate economic development, among other strategies.

In addition, the impact of some relevant macroeconomic variables on economic growth is observed and commonly analyzed in the literature. For example, focusing on Ghana as a case study, Gyimah and Gyapong (1993) investigated the exchange rate-economic growth relationship. As their results revealed, exchange rate distortions stifle Ghana's economic progress. Rapetti (2012) studied the impact on GDP growth of exchange rate uncertainty. According to their findings, currency undervaluation has a major impact on economic growth in less developed nations. However, the relationship between national income and real exchange rate is asymmetric which was rare for LDCs. Sharifi and Mirfatah (2012) investigated the impact on FDI of exchange rate. They submitted that the regressor lowers FDI inflows, which is not in line with Al-Abri & Baghestani's (2015) findings which revealed the exchange rate-FDI relationship in Asia. Their findings revealed that FDI accounts for a reduction in currency rate instability in emerging nations while it causes currency instability in less developed nations. Abdul Mumuni (2016) similarly investigated the exchange rate instability-manufacturing sector performance relationship, focused on Ghana, with data spanned 1986-2013, and applied the ARDL technique used in the study. As the outcomes show, exchange rate instability and manufacturing business performance are integrated in the short- and long-run. Thus, a rise in the exchange rate was found to likely lead to a rise in manufacturing sector performance in Ghana. They based their conclusion on the belief that, among other things, imports of items that could be domestically manufactured should be limited to empower the manufacturing sector's production capability. Habib et al. (2017) examined the exchange rate volatility-economic growth relationship, using mean data of 150 nations. Their results showed that a one percentage depreciation (increase) in the rate of exchange would considerably increase (reduce) economic growth.

The empirical data on the link between the variables is inconclusive. However, there is an accepted belief that the FDI-growth relationship, as well as the remittance-growth relationship, is linear. This is grounded on the use of conventional linear econometric modelling and typical cointegration tests. Nevertheless, Enders & Siklos (2001) caution that relying on such an assumption may yield misleading results. This is because a model based on this assumption may be improperly constructed if the relationships are non-linear. Consequently, incorrect policy recommendations may arise if economic growth responds differently to high and low levels of FDI and remittances. Furthermore, it has been acknowledged that the major macroeconomic indicators display inconsistent adjustment throughout business cycles. Hence, it is feasible to accommodate an asymmetrical (non-linear) correlation between foreign direct investment (FDI), remittances, and economic development. However, there are many studies. The study conducted by Lateef et al. (2021) revealed a favorable correlation between foreign direct investment (FDI) and economic development while indicating that carbon emissions had detrimental effects on the economy. Azam & Feng (2021) discovered that foreign help has a favourable influence on the economic development of developing nations, while the magnitude of this benefit differs according to the specific form of aid. Research has shown that the correlation between remittances and growth in GDP is not linear and is contingent upon the degree of development of the nation receiving the funds. Separate research discovered that the correlation between remittances and GDP development is not a straight line, and that, the impact on GDP growth of remittance decreases if the number of remittances grows. The research also discovered that FDI might alleviate the adverse effects of carbon emissions on economic development. Previous studies have explored the connections between FDI remittances and GDP growth in Nigeria, however, these analyses were conducted in a distinct study. The purpose of this study is to investigate the asymmetric impacts of foreign direct investment (FDI) and migrants' remittances on the GDP in Nigeria, to contribute to the existing knowledge on the subject. In Fagerheim's (2015) study, the impact of remittance on the GDP growth of member countries of the Organization of Southeast Asian Nations (ASEAN) from 1980-2012 was examined using the OLS technique and instrument variable two-step minimum squares (IV 2SLS) approaches. The OLS finding remained valid in the absence of heterogeneity. Based on the findings, remittances have a heterogeneous impact on economic development. Adeyi (2015) used Granger causality within the Vector Autoregressive (VAR) framework to examine the relationship between remittances and economic development in Nigeria and Sri Lanka from 1985 to 2014. The research revealed a unidirectional correlation between remittances influx and Nigerian GDP development, whereas a bidirectional correlation was seen between remittances and growth in the economy in Sri Lanka.

Consequently, the research recommended using remittances for fostering the growth of small and medium-sized enterprises, while also establishing a conducive macroeconomic environment. Adarkwa (2015) employed a linear regression model to analyze the impact of remittance on the economic development of several West African nations between 2000 and 2010. The research found a positive correlation between remittances influx and Nigeria's and Senegal's GDP, but a negative correlation was seen in Cameroon and Cape Verde. Based on the study, remittance inflows must be allocated to productive sectors to effectively stimulate economic development. Adeagbo & Ayansola (2014) analyzed the influence of remittances on Nigeria's GDP growth. They compared the effects of remittances on the GDP growth of other countries with the impact of remittances in Nigeria. Their investigation revealed the bureaucratic nature of the economic environment, excessive dependence on crude oil, a deficiency in conceptualization, and the inadequate implementation of suitable remittance systems.

The level of political uncertainty and corruption significantly may hinder the positive advantages of remittance on GDP growth in Nigeria. In a study conducted by Kunofiwa (2015), the author examined the correlation between local remittances from persons and GDP growth in Israel from 1975 – 2011, using a tri-variate causation framework. Their results revealed a substantial and enduring connection between economic growth, the development of the banking sector, and remittances. However, the influence of individual remittances on GDP growth, banking sector growth, and remittances over the long term was shown to be insignificant. There is no immediate cause-and-effect link between the components. In their research, Fayomi (2015) tested the impact on GDP growth of remittances, focusing on Nigerian Diasporas in Ghana. They collected original data by administering a survey specifically tailored for 326 participants from Ghana. The analysis of the research was conducted using both non-parametric evaluations and linear regression. The research indicates that the financial transfers made by Nigerians living in Ghana, known as remittances, have a substantial impact on the country's economic development.

Consequently, the research advised the construction of sufficient infrastructure to attract larger volumes of remittances for the whole country. Okoduwa, et.al (2015) conducted a study on remittance expenditure patterns and their impact on human growth and development in Sub-Saharan Africa from 2000 to 2010. They found that only a small portion of remittances were used for investments, which had a negligible effect on human development outcomes. It fulfils several goals. Kanchan & Bimal (2014) used an ARDL (Autoregressive Distributed Lag) model framework to examine the connection between remittance and economic development in Bangladesh from 1975 to 2011. The research revealed a persistent correlation between remittances and GDP over an extended time, but no immediate cause-and-effect link.

In addition, other academics have made significant contributions to the literature by pinpointing the factors that determine economic growth. The writers who have made contributions to this study include Lewis (1954), Solow (1956), Chenery & Strout (1966), Denison (1967), Myrdal (1968), Harris & Todaro (1970), Schultz (1979), Fields (1980), Romer (1986), Lucas (1988), Barro (1991), and Easterly (2011). These researchers include excess labour, financial investments, technical progress, foreign assistance, foreign direct investment (FDI), investment in human capital, enhanced returns on investment in new concepts, and research and development as factors that determine economic growth. According to some scholars, institutional attributes like freedom of expression, political volatility, influence, and accountability significantly impact the advancement and expansion of the economy. According to a 2006 assessment by the World Bank, verified remittances have shown a faster rate of growth compared to both GDP and Official Economic Aid.

Yilmaz (2015) conducted a study from 1996 to 2013 to examine the relationship between the increase of actual gross domestic product per capita, the amount of personal remittances received, and the inflow of foreign direct investment in European Union countries undergoing transition. The countries included in the study were Bulgaria, Croatia, the Czech Republic, Poland, Hungary, and Romania. The author noted the absence of any correlation between both.

Bichaka et al. (2008) found that remittances enhance economic development in nations with inadequate financial systems, enabling them to overcome limitations in available funds. The investigation was conducted throughout 37 African states. Gupta et al. (2007) concluded that remittances did not serve as a solution or replacement for a long-term and locally coordinated development strategy to tackle the challenges encountered by low-income countries. Yilmaz (2015) conducted a study from 1996 to 2013 to examine the relationship between the increase in real GDP per capita, the amount of personal remittances received, and the inflow of foreign direct investment in European Union countries undergoing transition. The countries included in the study were Bulgaria, Croatia, the Czech Republic, Poland, Hungary, and Romania. The author noted the absence of any correlation between the two. Bichaka et al. (2008) found that remittances enhance economic development in countries with inadequate financial systems, aiding in the resolution of liquidity limitations. The investigation was conducted throughout 37 African states. Gupta et al. (2007) found that remittances did not provide a solution or replacement for a long-term and locally coordinated development effort aimed at addressing the challenges faced by low-income countries. Baraja et al. (2009) argue that remittances may bolster economic development by augmenting capital accumulation. According to Nya Mongo et al. (2012), those who get remittances see it as a replacement for income from work and as a result, they have more leisure time. This, in turn, has a detrimental impact on economic activity. Ramirez (2013) conducted research spanning from 1990 to 2007 and discovered that remittances facilitate economic expansion. Lin and Simmons (2015) examined the Caribbean's single market by employing the panel cointegration test. A negligible correlation was found between remittances and economic growth over the long term. Capital inflow has three distinct components: remittances, portfolio investments, and FDI. The impact of remittances varies according to how the receivers use them. This action is unauthorized. Engage in a very profitable investment venture. Remittances used for expenditure may have a detrimental impact on economic development because the receiver views them as a replacement for money earned via employment, leading to increased leisure time and a negative influence on economic activity. Moreover, the appreciation of currency may have a detrimental impact on the economy since it reduces the competitive edge of a country, leading to a decline in exports and an increase in imports. Remittances are a kind of financial resource that flows into a nation. A thorough examination of both the direct and indirect effects of remittance on economic development is necessary. The conventional neoclassical growth model may analyze this. This research identified alternate methods for financing investment and addressing liquidity limitations. The study of worldwide financial flows and economic development, particularly in Sub-Saharan Africa, is considered to be insufficiently researched. It is essential to conduct a comprehensive investigation of this field of research, especially considering the current state of the Nigerian GDP. The author aimed to provide empirical-based evidence on the extent to which remittances may enhance GDP growth, while accounting for other factors contributing to growth, based on established theoretical frameworks. Bichaka et al. (2008) found that remittances help the economy of nations with underdeveloped financial systems by providing Remittances have a statistically significant effect on both the present level of a country's GDP and its pace of economic growth. Remittances are often seen as payments made to compensate family members who have lost skilled employment as a result of relocation. According to Stahl and Arnold (1986), using remittances for expenditure might enhance growth due to the possible multipliers.

Remittances are influenced by investment opportunities in the sender's nation of origin, as well as humanitarian or insurance motives. A significant number of migrants invest their money in their home country, primarily in small enterprises, real estate, or other valuable assets. Remittances are often driven by profit-seeking motives, increasing in response to improvements in the economic conditions of the sender's home country. Several scholars have proposed predicting the precise impact on GDP of remittances in Sub-Saharan African (SSA) countries.

In their research, Ditmar & Adela (2016) employed a panel data set including six countries that receive significant amounts of remittances to examine the impact of remittances on economic development. From 1999 to 2013, the nations that were covered in this time were Albania, Bulgaria, Macedonia, Moldova, Romania, and Bosnia and Herzegovina. The study's results suggest that remittances have a favourable impact on economic growth, and this advantage increases as the proportion of remittances to GDP increases. In a study conducted by Muriel (2015), the impact of remittances on the economic development of four West African countries (Cameroon, Cape Verde, Nigeria, and Senegal) was examined over the period between 2000 and 2010. The study revealed that remittances to Nigeria and Senegal had a beneficial effect on economic development, but remittances to Cape Verde and Cameroon had a detrimental effect on economic growth. The research conducted by Kanu & Ozurumba (2013) provided evidence supporting the correlation between remittances and economic development. With an emphasis on Sub-Saharan African nations, including Nigeria, South Africa, and Ghana. As their results showed, migrant remittances had a positive effect on the economies. Considering the causal connection between remittances and economic development, it was seen that remittances stimulated economic growth in both Ghana and South Africa. However, the study reveals that the impact was more pronounced in South Africa compared to Ghana. In Nigeria, the study conducted by Granger Cachou & Mohamed (2013) did not demonstrate the effects of remittances. Their research focused on examining the influence of the growth of remittances in Tunisia. As their findings indicate, remittances have a negative direct impact on GDP, whereas education inclusion has a positive indirect impact. However, it was observed that economic growth is the cause of remittances, according to the Granger causality test. Oluyemi et al. (2015) assessed the financial contributions made by Nigerian Diasporas in Ghana to Nigeria to promote economic growth. The research obtained primary data with a population size of 326 individuals in Ghana. They employed chi-square and linear estimators, to establish the significance of remittances from Nigerian Diasporas in Ghana for Nigeria's economic development. Moreover, the results indicated that remittances have significantly facilitated investment and savings in Nigeria. In research undertaken by Abu (2010), an empirical analysis was performed on the relationship between remittances and economic development, using data from Bangladesh, India, and Sri Lanka. The study found that an increase in remittances does not result in economic development in India. In contrast, Sri Lanka demonstrates a reciprocal relationship between remittances and GDP growth, suggesting that growth in the economy and remittances mutually affect each other.

In a study conducted by Abedelbagi (2016), the author investigated the relationship between emigration, remittances, trade openness, and GDP development in Africa using GMM. As the results indicated, emigrants had a statistically significant negative effect on regional GDP development, whilst remittances from migrants had a statistically significant positive impact on regional economic growth throughout the specified period. Ultimately, the research demonstrated that trade significantly and positively impacts the economic growth of the continent.

Multiple studies investigating the correlation between FDI and growth in the economy have yielded conflicting outcomes. Türkcan et.al (2008) used a panel dataset of 23 OECD countries spanned 1975-2004 to assess the inherent connection between the two variables. The researchers use the generalized methods of moments (GMM) to estimate a simultaneous equation system consisting of two equations, where economic growth and FDI are treated as endogenous variables. It was shown that there is a strong relationship between FDI and growth, with each variable being a substantial predictor of the other. Additionally, export growth is also a significant indicator of FDI and growth. As their research indicates, there is a reciprocal of FDI-GDP nexus. Karimi & Zulkornain (2009) investigated the causal relationship between FDI and GDP growth using the Toda-Yamamoto causality test, data spanned from 1970- 2005. They found no substantial evidence of a two-way causal relationship but instead revealed a lasting correlation suggesting that FDI indirectly affects Malaysia's economic development. In their study, Chakraborty & Nunnenkamp (2008) analyze the widely accepted notion that the surge in FDI in India after the economic reforms has significantly contributed to its economic progress. The research conducted Granger causality tests using specific to an industry FDI and output data inside a panel cointegration framework. The results demonstrate significant variations in the effects on the growth of FDI across different sectors. While there is no direct correlation and only transient effects of FDI on output in the primary sector, there is an observed positive relationship between FDI stocks and production in the manufacturing sector. This relationship is also evident in the services sector. FDI has facilitated growth in the production sector by promoting sectorial spillovers and inefficiencies in the hospitality sector.

Dupasquer & Osakwe (2006) found that African nations that many obstacles to attracting substantial foreign direct investment (FDI) flows. These include inadequate corporate governance, volatile political as well as economic policies, insufficient infrastructure, unfavourable regulatory frameworks, and intense global competition. These findings substantiate the conclusions. Jerome & Ogunkola (2004) analyzed the magnitude, orientation, and potential of foreign direct investment in Nigeria. The authors attribute Nigeria's limited foreign direct investment (FDI) to deficiencies in the country's legislative system about corporate law, insolvency, and labour law, as well as institutional instability. Ayanwale (2007) conducted a study on non-extractive FDI-GDP growth correlation. As the author identified, many characteristics that motivate FDI in observed, including the market size, development of infrastructure, and political stability. FDI inflows into Nigeria may be attributed to several factors, including the country's political system, real national income, inflation, interest rate, credit rating, and debt payment. In his examination of the drivers of FDI in Nigeria, Anyanwu (2011) emphasized that changes in domestic investment, changes in local production or market size, implementation of homogeneity policy, and changes in economic openness are significant factors that predict FDI. Furthermore, he said that the annulment of the indigenization program in 1995 facilitated the increase of foreign direct investment into Nigeria. He emphasized the need to implement measures to enhance the nation's economic development to attract more FDI. Endozien (1998) investigated the impact of foreign direct investment (FDI) on the Nigerian economy and found that the overall economic connections were less pronounced compared to the average seen in Chenery-Watanable (1958) and the results were not statistically significant. Ariyo's (1998) study on the investment pattern and its impact on Nigeria's GDP expansion from 1970- to 2005 demonstrates that only domestic private investment continuously contributed to the increase in GDP growth rates throughout the time. FDI had a limited impact. Oyinlola (1995) included foreign capital, which encompasses foreign loans, direct investments, and export earnings, into the analysis using the Chenery and Stout two-gap model (Chenery & Stout, 1966). The study shows that foreign direct investment (FDI) hurts the economic growth of Nigeria. Adelegan (2000) utilizes the idea of apparently unrelated regression (SURE) to examine the impact of foreign direct investment (FDI) on the economic development of Nigeria. The study reveals that FDI has a positive effect on consumption and imports but is negatively correlated with gross domestic investment. Akinlo (2003) found no significant correlation between foreign capital and economic development in Nigeria. This corroborates Ogiogio's (1995) research, which identified that public investment hurt the country's GDP development due to the presence of distortions. Bello and Adeniyi (2010) examined the causal in FDI-GDP relation, and the environment by using the ARDL method on annual data spanned 1970-2006. The findings suggest that there is no enduring correlation between foreign direct investment (FDI) and economic development. There exists a significant and enduring cause-and-effect link between the quality of the environment and the influx of FDI. An examination of the causal relationship between FDI and economic growth in Nigeria during both pre-crisis and post-crisis eras.

Ogundipe & Aworinde (2011) used Granger causality analysis to examine the period of deregulation. The results demonstrate a one-way causality relationship between economic growth (GDP) and FDI in the pre-deregulation period (1970-1985), yet no connection between the two in the post-deregulation era (1986-2007).

Oseeghale & Amonkhienan (1987) and Brown & Obinna (2006) have shown a favourable correlation between Foreign Direct Investment (FDI) and economic development in Nigeria. They advocate for the government to actively encourage more FDI in the country to enhance its economic performance. Oyatoye et al. 2011 used OLS analysis to investigate the impact and connection between Foreign Direct Investment (FDI) and economic development in Nigeria throughout 20 years (1987-2006). Their findings revealed a positive correlation between these two variables. As a result, a single unit rise in the value of FDI leads to a substantial N104.749 increase in Gross Domestic Product (GDP). Ayanwale & Bamire (2001) discovered that foreign companies' productivity had a beneficial spillover impact on the productivity of local firms at the microeconomic level.

The literature analyzed indicates that the results of the FDI-GDP association are inconclusive. Carkovic and Levine (2005) and Chakraborty and Nunnenkamp (2008) have shown that the relationship between foreign direct investment (FDI) and economic growth varies significantly, highlighting the need for research that is tailored to countries. After conducting a thorough examination of the study, the focus turns to the methodological obstacles involved in measuring the specific effects of foreign direct investment (FDI) on various sectors of the economy.

CHAPTER III

RELATED THEORIES

3.1 Overview of Theories.

The theoretical foundation of FDI, remittance and GDP growth relationship relied on the standard growth model. The model states that worker remittances, FDI, and other private capital investments are important sources of foreign exchange revenues that influence GDP growth. Remittances are less volatile and procyclical, making them a more predictable source of revenue for households and agricultural productivity Remittances help households finance what they spend., spending, and investments, and they sometimes use the earnings for investment rather than consumption to positively turn it into assets. FDI is critical to GDP, however, its effects on GDP have been uncertain. However, there is a need for further research as to what determines the direction of causation. The bureaucratic character of economic condition, disproportionate reliance on crude oil, lack of development, and remittance programmer’s uncertainty in politics and bribery have all been recognized as important issues acting against remittances' positive impacts in Nigeria. As a result, before remittance inflows may favourably affect economic growth, they must be invested in the productive sector. Several works have been undertaken on the influence on GDP of FDI and inward foreign transfer in Nigeria. Adarkwa (2015) discovered that remittance inflows were positively connected to economic development in Nigeria and Senegal, negatively. In Cameroon and the Cape Verde Islands According to the report, Remittances need to be invested in productive industries first. They could have a beneficial effect on GDP. Fagerheim (2015) investigated the impact of remittances on GDP growth in ASEAN countries and discovered that remittances have varied impacts on GDP. Similarly, studies on FDI have revealed that FDI has a substantial influence on Nigeria's growth development; nevertheless, the impact of foreign direct investment on Nigeria's economic growth is equivocal, and further research is needed. To discover the direction of causation. Some studies have discovered a positive association between foreign direct investment and Nigerian GDP, while some have discovered Negative connection a. The bureaucratic character considering the Business climate, and Overdependence on crude oil. political instability has been recognized as a Major obstacle to the good effects of FDI in Nigeria.

Furthermore, the theoretical and conceptual review suggests that both FDI and remittances have a significant effect on Nigerian GDP, but further study is needed to understand the impact and the relationships between these factors with GDP in various circumstances. The bureaucratic character given the GDP growth, excessive dependence on crude oil, lack of development and the implementation of proper remittances programs, Uncertainty in politics and bribery. have all been recognized as important issues working against the good effects of FDI and remittances in Nigeria. As a result, before remittance inflows and FDI may favourably affect economic growth, they must be invested in the productive sector.

Remittances are the inflows of cash that arise from migrants, which this research defines as voluntary financial assistance that the people in the diaspora send to their families. The migrants often leave their home nation to seek a wealthier environment or to secure their safety. Fundamentally, migration theory considers the diverse labour market options available to workers in emerging nations. The theoretical premise is that individuals pick jobs that maximize their expected rewards because of migration. Todaro (1969) states that labour compares predicted salaries for a particular horizon in the labour-receiving nation with home incomes and migrates if the former surpasses the latter. Remittances are one of the most beneficial results of migration. According to available records, remittances are transfers in cash or kind from abroad to the families of the migrants regardless of their source of income in their home country. Others thought it was the transfer of money from a foreign worker to a person in his or her own country. Remittances are defined by the International Labor Organization (ILO) (2001) as the fraction of wages of migrants paid back to their families in their countries of origin. Furthermore, Levitt (1996) noted that social remittances are made up of ideas, practices, identities, and social capital. In a larger sense, Ahlburg (1991) views remittances to reflect the monetary dimension in the intricate web of relationships that exist between migrant diasporas and their home nations. Financial remittances, public remittances, and remittances-in-kind are the three types of remittances. Financial remittances are cash and financial product inflows. Cash is supplied both legally and informally through banks and the network of International Monetary Transfer Organizations (MTOs). Financial transfers might also take the form of Overseas loan receipts issued by home nations to attract cash from Diasporas. Through financial gifts, the diaspora contributes communal remittances to their native communities in the areas of health, education, and infrastructure construction. Social remittances also encompass the beliefs and norms that underpin social capital; for example, social and political leaders might occasionally utilize their standing in the host nation to push their cause back home.

They also contain ideals about how organizations should function, such as notions of good governance, and how public officeholders should act. This includes the manner people assign home responsibilities, the kind of religious rites they practice, and how much they participate in political and civic organizations. Social remittances are handed on purposefully and consistently. When a family donor communicates directly to a family member about a new type of politics and encourages them to seek changes, this is referred to as a social remittance. Ideas are transmitted to a specific recipient or group in circumstances like these. People are aware of when and why they changed their minds about something or began to behave differently. Remittances-in-kind are products sent from other nations to countries. for derivation. Clothing, which is medications, toiletries, literature, gadgets, and, in certain situations, autos are examples of such products.

Olowe (2013) conducted an examination, investigated the influence of emittance on poverty alleviation in rural Nigeria, and discovered that the poverty level decreased when local remittances were included in household income rather than foreign remittances. They felt that remittances may alleviate poverty, but the extent to which remittances reduce poverty and economic disparity in Nigeria has not been well-researched. According to Iheke (2012), remittance inflows have increased over the last two decades. Also, remittances, per capita revenue, expenditures, and time were favourable and significant. elements impacting However, the consumer price index had a negative and substantial influence on output. Orozo (2005) stated that the tsunami of money reported worldwide had a special resonance in developing nations and that worker remittances sent from US$45 billion in 2004 to US$51 billion or more in 2005. He views remittances as part of a larger global integration trend through what he refers to as "the five Ts".

International remittances, according to Oduh & Urama (2012), have shifted the landscape of international migration from brain outflow to brain movement, allowing poor nations to generate alternate means of consumption and investment finance. Despite its positive effects on private consumption and investment, they found that the much-touted pro-poor effect of remittances is non-growth financing for import-dependent countries like Nigeria due to its negative impact on current account balance. The size and rate of remittances in developing nations like Nigeria, according to Olubiyi & Kehinde (2015), are exceptional.

Relying on the choice-theoretical model, the actual exchange rate has a significant impact on remittances, meaning that a predicted real exchange rate is depreciating, indicates poor economic conditions at home, and dwarfed remittance inflows.

Applying a homogeneous panel model of 99 developing nations, Aggawal et al. (2011) explore the remittances-GDP growth nexus. They discover that remittances enhance fiscal growth by raising the total amount of deposits and credits. Gupta, Pattillo, & Wagh (2009) investigated the effect of remittances on GDP in 44 Sub-Saharan African (SSA) nations and found that remittances aid financial development. Demirgüc-Kunt et al. (2011) found that remittances increase development in Mexico. Cooray (2012) finds that remittances increase the size of nations' financial industries with lower government ownership of banks while improving financial sector efficiency in countries with higher government ownership of banks when estimating a homogeneous panel data model using yearly data from 94 developing nations. According to Calderon et al. (2008), money transfers can lower credit demand and "have a dampening effect on the credit markets". Brown (2013) uses cross-section panel data to assess the connection between remittances and financial development. They discover that remittances do not expand local loans for private industry in the nation where they originate.

Knowing the fundamental reason for remitting is required for at least two reasons when evaluating the financial effect of remittances. The cost of migrant remits is defined according to the migrant's fundamental causes for migrating for remitting the first beginning. The amount and frequency of remittance transfers, in turn, influence GDP in the receiving nation of origin. major drivers Secondly, the planned reasons behind remittance impact the final usage of these inflows. Remittances are utilized for the following objectives: their GDP effect on the home nation. (Chami, 2008). According to Lucas and Stark (1985), migrants send remittances merely due to their care for the well-being of those who remain behind. This suggests that there is a link between migrant remittances and the plight of the family left behind. Volunteering transmission should rise with rising migrants' wealth and level of generosity and decline because of recipients. Earnings and Level of Compassion Funk Houser is a 1995 album. Most natural and popular estimations are based on the initial findings on remittances, which is altruism. Whitelaw & Johnson (1974) discuss humanitarian motivations for remitting. Furthermore, remittances Could be influenced by personal gain. Considerations: these self-centred views of remittances see the Family as an enterprise or a network Regarding agreements which allow Family members to participate in Pareto-improvement trades. Chami Fullenkamp & Jahjah. There are many of the most efficient Pareto-improving trades including remittance. prominent of which is one in which Remittances Purchase different sorts of services that include caring for Resources of migrants (land, animals) or family back home. According to According to Lucas & Stark (1985), migrants' assets might have to be maintained once they're abroad, therefore They use family members as reliable and knowledgeable representatives. Such reasons often indicate the migrant's desire to return home Rapoport & Disquiet, 2005. An additional approach to explore Pareto-improving trades considers the scenario when a migrant remit to exhibit commendable Conduct as an investment for the foreseeable future, or with the goal of inheriting. Siegel & Hagen- Zanker, 2007. As Hoddinott (1994) emphasises, Remittances could render migrants capable of receiving legacy or additional funding in their hometown of origin. If a migrant intends to receive an inheritance through family members, remittance should increase according to the income and possessions of the receiving families. As Pozo (2005) discovered in Latin America, generosity is a primary motivator for transferring money from immigrants to households, yet in many cases, migrants are also saving until future emergencies.

3.2 The Classical Theory of Remittances

The classical theory of remittances is rooted in the belief that capital transfers through industrialization in underdeveloped countries may propel the economy ahead. The Concept of Theory suggests that remittances can spur economic growth by providing a source of foreign exchange earnings. The classical theory of remittances posits that remittances can be used to finance investment in the productive sector, which can lead to GDP. The theory also suggests that remittances can be used to finance consumption, which can stimulate demand and lead to economic growth. some studies have investigated the impact on the GDP of remittances in Nigeria. Adarkwa (2015) Remittance inflows were shown to be favourably associated with GDP in Nigeria and Senegal, Cameroon and the Republic of Cape Verde showed a negative correlation. According to the report, inflows of remittances must be invested in productive industries before they may have a beneficial influence on GDP. As well, Okorie et al. (2019) established that foreign transfer has a positive advantage on

GDP in the observed. They suggested remittances can be used to finance investment in the productive sector, which can contribute to GDP growth. In conclusion, the classical theory of remittances suggests that remittances can spur economic growth by providing a source of foreign exchange earnings. The theory posits that remittances can be used to finance investment in the productive sector, which can lead to GDP growth. The research investigated the effect of remittances on economic growth in Nigeria and found that remittances have a positive impact on GDP growth. The studies suggest remittances can be utilized to support investment in the industrial sector, which can contribute to GDP growth.

3.3 Neoclassical theory of remittances

The neoclassical theory of remittances suggests that remittances can spur economic growth by providing a source of foreign exchange earnings. The theory posits that remittances can be used to finance investment in the productive sector which can contribute to economic growth. The neoclassical theory of remittances is based on the belief that Poor nations can benefit from capital transfer and industrialization. the economy forward. some studies have investigated the weight on GDP of remittances based on neoclassical theory. Okorie et al. (2019) revealed that remittances had a favourable influence on the GDP growth of Nigeria. The study suggests that remittances can be used to finance investment in the productive sector, which can lead to economic development. Adigun and Ologunwa (2017) looked at how remittance affected the growth of the economy in Nigeria from 1980 to 2015. The findings show that foreign inflows are associated with economic expansion because they assist individuals to fund their consumption, expenditure, and investments. According to their findings, remittance beneficiaries ought to invest in addition to demand to influence the domestic GDP. Abdulazeez and Sebil (2018) evaluated the influence of remittance on Nigeria's economic growth spanned 1981-2011. The inflow of remittances served as a factor of dependent variables, as were trade transparency, foreign aid, foreign direct investment, and growth in the economy. The findings emphasized that remittances boost Nigeria's GDP growth.

3.4 Neo-Marxist theory of remittances

According to the neo-Marxist theory of remittances, migration and remittances may both create and promote capitalist measures to deal with inequality. According to the theory, remittances may be utilized to fund consumption, hence stimulating demand and resulting in economic development. However, the theory also indicates that remittances may be utilized to strengthen the capitalist system by fostering reliance and underdevelopment.

some studies have investigated the effect of remittances on GDP in Nigeria based on the Neo-Marxist theory. Adigun & Ologunwa (2017) looked at how remittances affected Nigerian GDP growth from 1980 to 2015. The study found that remittances have a favourable influence on Nigeria's growth in GDP. However, the study also suggests that remittances can reinforce the capitalist system by encouraging dependency and underdevelopment. Sebil & Abdul Azeez (2018) studied the effect of remittances on Nigerian GDP growth, which spanned 1981-2011. They found that remittances positively influence GDP in the country. However, the study likewise suggests that remittances can reinforce the capitalist system by encouraging dependency and underdevelopment.

In conclusion, the Neo-Marxist theory of remittances suggests that remittances can Produce and support the capitalist approach to coping with inequality. Based on the empirical study growth of the economy in Nigeria, Neo-Marxist theory suggests that remittances have a positive impact on economic growth in Nigeria. However, the studies also suggest that remittances can reinforce the capitalist system by encouraging dependency and underdevelopment.

3.5 The Classical Theory of FDI

The classical theory of foreign direct investment in Nigeria argues that foreign direct investment can make a significant contribution to the development dynamics of the nation. The theory posits that foreign direct investment can boost employment on stimulate GDP. progress in the long run. The empirical studies of the effect of foreign direct investment on GDP growth in Nigeria suggest that foreign direct investment has a positive impact on Nigeria's economy. Based on the research, The market's scope and growth. of infrastructure, and effective macroeconomic strategies are the main factors of FDI in Nigeria. The studies also urge the government to increase the inflow of FDI towards the nation to improve its financial health.

However, the nature of the influence of FDI, particularly at the subnational and sectoral stages, has been mostly ignored. Further research is needed to assess the course of action is causation between FDI and GDP in Nigeria, and the influence of FDI on different sectors of Nigeria's GDP.

3.6 The Neoclassical Theory of FDI

Neoclassical theory states that FDI can promote GDP growth in the long run. This statement posits that the inflow of resources can provide much-needed requirements for economic development and development. The empirical findings on the FDI-GDP relationship indicate that FDI influences the nation’s economy. Theoretically, it is argued that market size, infrastructure, and sustainable institutions can influence FDI. The studies also urge that the government ought to encourage an increased influx of foreign direct investment into the nation to improve its financial health.

However, the neoclassical theory of FDI has been criticized for ignoring the negative impact of foreign direct investment on the host country's GDP, such as well exploitation of natural resources, the transfer of profits to the home country, and the crowding out of domestic investment. The theory also assumes that foreign direct investment is a stable Origin of investment, which is not always the case.

3.7 The Neo-Marxist Theory of FDI

The neo-Marxist theory argues that FDI can reinforce the capitalist system by encouraging dependency and underdevelopment. The theory posits that FDI can result in the improper use of natural assets. The transfer of profits to the home country, and the crowding out of domestic investment. The empirical research on GDP growth of the effect of FDI. Nigeria based on the Neo-Marxist theory suggests that foreign direct investment hurts GDP in Nigeria. The studies suggest that FDI can lead to the exploitation of natural resources, the transfer of Returning earnings to the native nation, and the crowding out of domestic investment. The studies also recommend that the government should regulate FDI to ensure that it benefits the host country.

However, the Neo–Marxist theory of FDI has been criticized for ignoring the positive effects of FDI on the local economy, for example, technology transfer, knowledge, and skills, and the creation of employment opportunities. The theory also assumes that FDI is always detrimental to the host countries' economy, which is not always the case. The neo-Marxist theory of FDI suggests that FDI can reinforce the capitalist system by encouraging dependency and underdevelopment. Empirical research on influence on GDP growth of FDI. Nigeria based on the Neo-Marxist theory suggest Foreign direct investment has a detrimental influence on Nigeria's GDP. The studies suggest that the government should regulate FDI to ensure that it benefits the host country. However, the theory has been criticized for ignoring the positive effects of the impact on the host nation's economy of FDI**.**

CHAPTER IV

THE DIFFERENCES OF FDI ON THE ECONOMIC GROWTH IN THE EU AND AFRICAN COUNTRIES OR THE DEVELOPING COUNTRIES

4.1 Introduction

FDI can have a varying impact on GDP in different regions and types of countries, such as the European Union (EU) and African countries or developing countries. These effects depend on several factors, including the degree of economic advancement, institutional quality, and the sectorial composition of FDI. Here are some key differences in the FDI-GDP relationship in these two contexts.

EU: foreign investment tends to have more nuanced and diverse effects on the growth of EU countries. In more developed EU nations, FDI often complements domestic investments, leading to technology transfer, job creation, and increased productivity. However, in countries with less-developed institutions, the benefits of FDI may not be fully realized.

African Countries and Developing Nations: FDI can play a crucial role in promoting GDP in less-developed regions. It often brings capital, technology, and expertise, contributing to industrialization and export-oriented growth. However, it can also lead to income inequality if not managed properly and may have limited spillover effects in the absence of strong local linkages.

EU: The EU generally has a higher level of institutional quality, including stable legal systems, protection of property rights, and transparent regulations. This can create an environment conducive to FDI inflows and ensures African Countries and Developing Countries: Institutional quality varies significantly among developing countries. In countries with weak, FDI boosts economic development institutions. FDI can lead to problems like corruption, rent-seeking behaviour, and resource misallocation, which may hinder economic growth.

EU: FDI in the EU often targets advanced sectors such as technology, manufacturing, and services. This can lead to technological spillovers, increased productivity, and higher-skilled job creation, which are conducive to long-run GDP.

African Countries and Developing Countries: FDI in developing countries may focus on natural resource extraction or low-skilled industries. While this can generate revenue and employment, it may not necessarily foster diversified and sustainable economic growth. Managing the resource course and promoting value addition are critical challenges.

EU: The EU benefits from a single market and customs union, which facilitates trade and investment among member states. This integration can amplify beneficial foreign direct investment on GDP by creating larger markets and economies of scale.

African Countries and Developing Countries: Regional economic integration initiatives, such as the African Continental Free Trade Area (AfCFTA), can enhance the impact of foreign direct investment by expanding markets and promoting infra-regional trade. However, challenges related to infrastructure and trade barriers need to be addressed.

Policy Environment

EU: EU countries generally have well-defined policies and regulations that attract FDI and protect investors' rights, creating a stable investment climate.

African Countries and Developing Countries: The policy environment in developing countries can be more uncertain, with frequent changes in regulations and political instability. This can deter FDI and hinder economic growth.

FDI's effect on GDP in the EU and African countries or developing countries differs due to variations in economic development levels, institutional quality, sectorial composition, trade integration, and the policy environment. While FDI has the potential to spur growth in both contexts, governments need to create an enabling environment and implement appropriate policies to maximize its benefits and mitigate potential negative effects. Additionally, the specific impact of FDI can vary from one country to another within these regions due to unique circumstances and characteristics.

FDI plays a crucial role in the GDP growth of both the European Union (EU) and African countries. However, there are notable differences in the effects of foreign direct investment on the GDP of these regions.

An open and functional international economic system depends on (FDI), which additionally acts as a source of revenue significant development accelerator.

However, the advantages of FDI are not distributed automatically and fairly among nations, industries, and local communities. To bring FDI to more developing countries and to fully benefit from FDI for development, national policies, and international investment architecture are important. The focus of the issues is on the host nations, which must create an open, inclusive, and productive policy climate that encourages investment and develops the institutional and human resources necessary to put it into practice.

Since OECD nations account for the majority of FDI flows, developed nations have a role to play in furthering this agenda. They can encourage non-OECD nations to further integrate into rules-based international frameworks for investment; actively promote the OECD Guidelines for Multinational Enterprises and other components of the OECD Declaration on International Investment; and share with non-members the OECD peer review-based approach to building investment capacity. They can also facilitate developing countries' access to international markets and technology and ensure policy coherence for development more generally.

4.2 Foreign Direct Investment (FDI) in the European Union and African Nations

The EU has been a significant receiver of FDI; in 2017, FDI in the EU totalled 222 billion euros, more than five times the amount invested by either of the other two superpowers, the US or China. The EU has a highly developed economy, and FDI has fueled technological spillovers, aided in the creation of human capital, and improved firm development, all of which have boosted the region's economic growth. Foreign direct investment has had a significant effect on the EU's GDP, raising growth rates and fostering the development of a more competitive corporate climate.

African nations, however, have encountered a distinct FDI environment. Africa has drawn foreign direct investment (FDI) from several countries, including China, despite being a very small market for the EU. Nonetheless, there has been disagreement on how FDI affects economic expansion in African nations. The net FDI share of the continent has been little, and the FDI flows in sub-Saharan Africa are fragile, casting doubt on the FDI's demonstrable impact on economic growth. Despite this, (FDI) is acknowledged as a crucial component of Africa's economic growth and development, and initiatives have been taken to increase FDI on the continent, particularly in AfCFTA illuminates the African continent.

The disparities in economic development, import-export mix, and institutional quality may be used to elucidate the disparities in the impact of FDI on GDP between

the European Union (EU) and African countries. FDI has been influential in shaping the EU's economy, but African states have faced challenges in effectively harnessing FDI to achieve long-term economic growth owing to uneven development throughout the continent.
Even while FDI has contributed significantly to the economic expansion of both the EU and African nations, the EU has benefited more from FDI than the latter because of its more sophisticated economy and better-functioning institutions. In contrast, African nations have been striving to draw in further foreign direct investment (FDI) to bolster their economic expansion and advancement, particularly inside the framework of programs such as the AfCFTA. The differences in how FDI affects economic growth highlight the need for specialized policies and approaches to optimize FDI's potential advantages in both areas.

The Global Institute for the Development of Nations (IISD) acknowledges the contribution of Foreign Direct Investment (FDI) to sustainable development, as mentioned by Mann et al. (2005). FDI flows internationally have seen significant growth, especially in the 1980s, due to globalization and resource imbalances (UNCTAD, 2014). Over the same time frame, the proportion of foreign direct investment (FDI) allocated to impoverished countries declined from \$3.8 billion to \$0.8 trillion, despite the overall worldwide influx of FDI increasing between \$13.3 billion in 1970 to \$1.45 trillion in 2013.

In terms of comparison, the amount of foreign direct investment (FDI) flowing into Africa increased significantly between USD\$1.3 billion to USD\$57.2 billion between 1970 and 1971. Similarly, in Eastern Africa, it saw a substantial rise from \$0.1 billion to \$14.6 billion. Except for the years 2012 and 2013, developed countries have consistently received a higher proportion of FDI compared to developing nations, even if the overall worldwide inflow of FDI has increased over time. African and Eastern Africa (EA) are seeing significant development. continues to be a difficult issue. The primary reason for the region's inability to meet investment demand was limited money. The sub-region has very low savings, which is a factor in determining economic growth (Joupouognigni & Ndambendia, 2010; Alfaro, et al., 2003). However, the sub-region's limited productive capacity means that the ever-growing population requires more than it can provide (Kabundi & Loots, 2012;

Kinyondo, 2012, ADB, 2013). Investment reforms have been implemented in many developing nations, especially those in Africa, to solve these issues and draw in more foreign capital. As a result, in 1988 FDI accounted for Over 50% of private money sent to developing countries, as reported by UNCTAD in 1999, 2008, and 2012. The pace of increase of FDI inflows to Africa as well as Eastern Africa saw a significant increase in absolute terms from 1970 to 2013, as reported by Esso (2010) and UNCTAD (2014). Eastern Africa has seen a growing influx of foreign investment. As an example, the proportion of EA's share in Africa increased from 25.5% in 2013 to 6.3% in 1970, whereas the proportion of FDI in Africa's poor states declined from 33% to 7.3% in 1970 -2013. Despite the rise in FDI inflows to East Asia, the effects of these inflows were not thoroughly examined utilizing dynamic growth approaches. Authority. Over the last decade, EA has consistently had among the strongest growth rates globally. The country is projected to achieve an average annual growth rate of 6.6% in its real GDP from 2000 to 2009, which is in proximity to the 7% yearly target set by the Millennium Development goal. The current challenge is to sustain these elevated growth rates while also ensuring that growth becomes more encompassing (AfDB, 2014). Despite seeing significant progress in the availability of social services, such as healthcare and education, the sub-region still exhibits considerable variability in this regard.
According to the African Development Bank [AfDB] (2014), Eastern Africa has a total of thirteen (13) nations. The countries in question consist of two archipelagic states, namely Comoros and Seychelles, five nations that are surrounded by land (Burundi, Rwanda, Uganda, South Sudan, and Ethiopia), and six nations that have coastlines (Somalia, Sudan, Eritrea, Djibouti, Kenya, and Tanzania). The potential advantages for EA include growing people, a thriving market, and untapped natural resources that possess diverse cultural, historical, and social significance.

Despite its significant economic potential, EA continues to be one of the most impoverished regions. The sub-region is significantly hindered by enduring conflict, gender disparity, and inadequate access to food. The productivity of the three primary economic sectors, namely agriculture, industry, and services, is comparatively lower. Agriculture, the primary sector of this business, relies on conventional techniques that do not provide an excess of output. The business community's youth and the service sector's recent increase in GDP share suggest a lack of strong connections between the sectors in both forward and backward directions (A f D B, 2014). The 2015 African Competitive Report highlighted the need to implement structural changes to ensure long-term development in the countries of the sub-region World Economic Forum [WEF], (2015).

4.3 The Goal of FDI in the EU and AFRICA

Even though most growth theories acknowledge. The indirect as well as direct role that (FDI) plays in investment and growth (Blomstrom & Kokko, 2003; Borensztein, et.al (1998), and the nuanced mechanisms by which FDI influences economic development are still being researched and debated. While some argue that FDI can promote technological transfer and knowledge diffusion, resulting in increased productivity and economic growth (Carkovic & Levine, 2005), others contend that the effectiveness of foreign investment in fostering development is determined by host country institutions and policies (Aitken & Harrison, 1999). Despite a plethora of research on the subject, a thorough knowledge of the multidimensional influence of FDI on investment and GDP is still developing.

Technology transfer is a major way through which FDI contributes to economic growth. Blomström & Kokko (1998) and Alfaro et al. (2004) performed empirical studies that demonstrate the relevance of FDI in transferring sophisticated technology and management experience from industrialism to emerging economies. This influx of information and skills has the potential to boost the productivity of local sectors, resulting in higher output and overall economic growth.

Furthermore, higher capital accumulation in host nations is frequently related to FDI. Foreign investors, as emphasised by Borensztein et al. (1998), bring not only financial resources but also contribute to the development of physical infrastructure. Building factories, transport networks, and other infrastructure not only improves current economic activity but also sets the groundwork for long-term growth by strengthening the entire business climate.

Aside from these immediate effects, FDI can encourage domestic investment and innovation. According to Carkovic and Levine (2002), the presence of foreign investors might boost domestic investor confidence, resulting in higher local investment. Furthermore, the rivalry created by multinational enterprises may motivate local firms to innovate and increase efficiency to remain competitive, encouraging an innovation culture within the host country.

Despite these potential benefits, it is critical to recognize that the effect of foreign direct investment on GDP might vary depending on the institutional and policy structure of the host nation. Li & Liu (2005) found that countries with robust policies and structures that facilitate the assimilation of foreign capital are likely to have more advantages from foreign direct investment (FDI) in terms of economic development.

Although most development theories recognize the establishment of effective policies that maximize the advantages of foreign direct investment (FDI), it is crucial to comprehend the beneficial impact of FDI on investment and economic development, as well as the processes and contextual elements that affect this connection.

The empirical data from Rugman (2010) indicates that there is a controversy about the influence of foreign direct investment (FDI) on development. This is supported by the studies conducted by Agrawal (2011) and Allege & Ogundipe (2013). Proponents of foreign direct investment contend that it promotes socioeconomic advancement via the enlargement of production and trade networks, providing an extra source of financing, technology, and skill improvement (OECD, 2002; 2008). In contrast, a group of scholars (Abadi, 2011; Agrawal, 2011; Abdulahi, 2012; Alege & Ogundipe, 2013) contend that FDI impedes GDP growth by displacing domestic startups, exploiting local resources, repatriating profits to their home countries, and enabling corruption among public officials. Furthermore, certain attributes associated with the sector might affect both the source country and the destination country (Eddine et. al., 2014).

The discrepancy shown in previous empirical investigations may stem from methodological constraints in using linear models for growth models, as well as the omission of some vital explanatory factors. Linear models cannot include unobserved country-specific effects, thus leading to biased and inconsistent findings. To tackle this problem, the dynamically adaptive Generalized Method of Moments (GMM) was used, which effectively considers both the stochastic and deterministic effects. Examining the current impact of foreign direct investment is essential for supplying policymakers, governments, and development stakeholders with accurate data. Examining how FDI affects conditional convergence and economic development in

Eastern Africa was the goal of the study. The investigation used four main theoretical frameworks: the theory of endogenous growth, the empirical application of unconditional convergence, the econometric utilization of GMM estimators, and the eclectic model.

The Monterrey Consensus (UN, 2003) states that FDI plays a crucial role in transferring skills and technology, increasing production, improving the effectiveness of entrepreneurship, and eliminating poverty through GDP growth and development. These promoted advantages have fueled competition among states, particularly in less developed nations, to attract FDI via a range of fiscal policies. From 1991 to 2012, more than 100 countries made changes to their national regulatory investment regimes. These alterations, which accounted for about 90% of the total changes, aimed to create a more enabling environment for FDI (Demena & Begeijk, 2016). In 2017, a total of 65 nations endorsed 126 investment policy measures, with more than 84% of them being advantageous for FDI (UNCTAD, 2018). Since the 1990s, there has been a worldwide surge in FDI inflow due to the implementation of more favourable policies towards FDI. For instance, the amount of FDI inflow into countries in Africa increased to US$46.5 billion in 2018 from about US$3 billion in 1990 (UNCTAD, 2019).

Available evidence has found contradictory conclusions when analyzing the contributions of FDI in local countries. However, Biørn et al (2017); Iamsiraroj et.al, (2015) among others found a positive influence of FDI while Herzer (2012), Mencinger (2003), Oteng-Abayie & Frimpong, (2006) found a negative effect on GDP development. Akinlo (2004); Carbonell & Werner, (2018); and Dimelis & Papaioannou, (2010) have shown that there is no discernible link between FDI and economic development.

Based on the main idea conveyed in the current literature, this contradictory data may be attributed to the fact that the benefits of FDI are not simple and instead depend on the domestic circumstances or absorptive capacity of the host nations. The institutional framework is a crucial domestic component that is thought to influence the impact on GDP growth of FDI. As Durham (2004) observed, FDI may directly be more effective in local nations that have a high-quality legal framework. Similarly, Meyer and Sinani (2009) argue that a robust institutional structure fosters rivalry among international and domestic companies, leading to higher levels of output and technical progress. A strong legal environment in host countries facilitates connections between multinational and local enterprises. In contrast, subpar institutions impose significant limitations on the transfer of technology and create obstacles that are both hard and costly to overcome to form a network. The development of reliable institutions is necessary for the realization of the growth-promoting impact of FDI. The empirical research conducted by Jude & Levieuge (2016), Durham (2004), Azman-Saini et al. (2010a), Alguacil et al. (2011), Salesman et al. (2015), and Baharumshah et al. (2011) have identified this phenomenon.

Regrettably, there is little knowledge of the functioning of institutions in the correlation between foreign direct investment (FDI) and economic development, specifically in the African setting. Agbloyor et al. (2016) have recently sought to address this gap by investigating the role of institutions towards mitigating the impact on GDP development of FDI in SSA countries between 1996-2010. They do this by using a linear interaction model. Nevertheless, they failed to reach any definitive findings about the role of institutions in the correlation between FDI and economic development. An important drawback of this approach is the relationship term, which is often calculated by multiplying FDI and the measure of institutional quality. From the beginning, it is implied that the influence of FDI on economic development does not consistently increase as institutions progress. However, before the actual realization of the positive effects on the GDP of FDI, it is necessary to reach a certain degree of institutional quality, as suggested by Azman, et al. (2010) and Slesman, et al (2015). To effectively capture the dynamic interaction between FDI and GDP, it is necessary to use a suitable approach. Hence, the objective of this research is to address this disparity by reevaluating the significance of polity quality in regulating the impact on GDP of FDI in an African setting, using an updated approach.

Reputable institutions are regarded to have a vital role in promoting economic prosperity. Acemoglu et al. (2005) contend that disparities in institutional quality serve as the primary catalyst for disparities in national economic performance. In addition, Cull and Xu (2005) contend that substandard levels of institutions detrimentally affect economic development by dissuading local enterprises from reinvesting their earnings. In their study, Wanjuu & Le Roux (2017) explore the impact of economic institutions, including property rights protection and corruption, on the economic development of ECOWAS members from 1990 to 2015. The authors use many methodologies, such as the Completely Improved Ordinary Least Squares (FMOLS), the Dynamical Irregular Least Square (DOLS), and the Vector Error Correction (VEC) model. As the results indicate, robust economic policy facilitates the GDP growth of ECOWAS countries. Aisen & Veiga (2013) studied the influence of organizations on the economic development of 169 nations from 1960 to 2004, using System-GMM estimation techniques. Based on their findings, political turmoil impedes economic growth by reducing investment and hindering productivity improvement. Zouhair (2012) investigated institutions-GDP in eleven Middle Eastern and North African countries spanned 2000 to 2009. The author argues that robust political institutions facilitate economic growth. Efendic (2011) established that robust institutions have a favourable influence on economic development, as shown by their meta-regression study. In addition, Adams (2009) and Yiadom et al. (2018) discovered a favourable correlation between institutional quality and economic development in Sub-Saharan Africa, but Compton et al. (2011) concluded that economic freedom is a significant factor influencing GDP growth in the United States.

4.4 FDI and GDP: Institutional Impact

FDI primarily enhances GDP by augmenting the productivity of domestic enterprises. These repercussions may result from escalating competition, copying, supplier-customer ties among foreign and local companies, or employee income between international and national companies. Hence, proficient strategies enable the streamlined transmission of information to market participants, eradicating imbalances in information and promoting the proper utilization of the possibilities offered by this market. An essential determinant in disseminating the impacts of FDI is the reduction in disparities in knowledge resulting from the presence of well-established institutions (Jude & Levieuge, 2016). Durham (2004) performs a study that examines FDI and equity foreign portfolio investment (EFPI) impacts on GDP. The study analyses data from 80 nations spanning the years 1979 to 1998. The findings show that robust financial systems and institutions boost the benefits of foreign direct investment for economic development. Azman-Saini et al. (2010) analyze the impact of institutional development on the link between foreign direct investment (FDI) and economic growth. They study a group of 85 nations throughout the period from 1976 to 2004. To assess the advancement of institutions, they use the metric of economic freedom. As the results indicate, FDI affects growth indirectly. Specifically, the effect on GDP growth of FDI is contingent upon the level of financial independence.

The role that institutional development and macroeconomic stability—two absorptive capacities—play in moderating the impact of FDI on GDP is also examined by Alguacil et al. (2011). The econometric approaches used include OLS (ordinary least squares) and System GMM (generalized method of moments). The results suggest that insufficient institutional quality and macroeconomic instability diminish the impact of foreign direct investment on economic development. According to Slesman et al. (2015), the authors' findings suggest that foreign direct investment (FDI) and other types of capital inflows have a positive impact on economic growth, but only in countries that have well-functioning institutions. These conclusions were drawn using a certain threshold regression model. The effect on the GDP of FDI is minimal or potentially adverse in countries with organizational development below a threshold level. Brahim & Rachdi (2014) use a sample of 19 countries in the Middle East and North Africa (MENA) region to investigate the impact of organizational development on FDI and GDP relationship. They utilized a unique statistical approach called the d panel easy transition regression model over the period from 1984 to 2011. Based on their research, it is shown that only countries with robust institutions are capable of capitalizing on the positive influence of foreign direct investment (FDI) on economic development. According to Jude and Levieuge (2016), their research shows that the positive impact of FDI on economic development is only significant in countries with strong institutional frameworks.

Agbloyor et al. (2016) examined how institutions affect the connection between FDI and GDP growth in SSA countries from 1996 to 2010, specifically focusing on Africa. The findings did not provide compelling evidence about the moderating influence of institutions on the relationship between FDI and economic development. The researchers used a linear interaction model, specifically examining the linear interaction between FDI and institutional factors. They utilized SYS–GM (System GMM) estimators for their analysis. Nevertheless, they do find a clear and beneficial correlation between institutions and economic development. In their study, Adams & Opoku. (2015) examined the impact of the regulatory environment, namely the regulations of the credit market, enterprises, and labour market legislation, on the correlation between FDI and growth in 22 sub-Saharan African countries from 1980 to 2011. It is shown that FDI has a positive impact on development when it interacts in a linear manner with regulatory regime elements. However, according to the generalized method of moments (GMM) estimation technique, FDI does not have a direct impact on economic growth. The study also investigates the impact of democratization and economic freedom on the relationship between foreign direct investment (FDI) and economic development.

Malikane et al. (2017) and Abida et al. (2016) used a linear interaction approach. Regarding the first case, a group consisting of eight nations from Southern Africa was used, whereas, for the second case, a group consisting of four countries from North Africa was applied. The systemic generalized approach of moments inside robustly democratic institutions and economic freedom. The GMM is employed to ascertain that FDI has a more substantial impact on promoting economic development.

However, due to domestic factors, some study concludes that there is no relationship at all between FDI and growth in the economy. As an example, Woo. (2009.) investigates the influence of FDI on GDP by analyzing the rise of total factor productivity (TFP) for 92 industrialized and developing countries from 1970 - 2000. The study utilizes several econometric methods to establish the impact of FDI on overall productivity is unaffected by the level of organizational, financial, or human capital advancement in the host country. However, he finds that Foreign Direct Investment (FDI) has a direct influence on Total Factor Productivity (TFP) and, therefore, on economic growth. The empirical literature evaluation, while not exhaustive, illustrates the thrust of previous studies on the linear interaction model. This model indicates that FDI operates only via institutional factors. The studies, especially those focused on African countries, fail to correctly determine the specific level of institutional quality at which the growth-enhancing impacts of FDI become evident. Identifying the minimum threshold has important policy consequences. Hence, it is necessary to perform new studies using an improved approach.

A comprehensive analysis has been carried out to examine the FDI-GDP relationship of both the European Union (EU) and African countries. The traditional argument posits that foreign direct investment (FDI) stimulates economic development by increasing the amount of capital available. However, recent studies emphasize the importance of FDI in facilitating the transfer of knowledge on an international scale (Lensink & Morrissey, 2006). Nevertheless, studies have shown that the impact on GDP growth of FDI in Africa is limited or non-existent (Awolusi & Adeyeye, 2016). Moreover, the effect has been a subject of debate, with some studies suggesting a favourable outcome (Miao et al., 2020) and others showing a substantial adverse effect of FDI inflows on GDP growth (M'Baye, 2023). In addition, the precise effect of Foreign Direct Investment (FDI) on economic development remains uncertain. However, factors such as human capital, liberalized financial markets, and financial stability all play an important role in shaping this relationship (Miao et al., 2020).

Research conducted by Arkovi et al. (2018) has shown that FDI has a positive effect on economic development in European Union (EU) candidate nations, whereas its impact on non-candidate countries is either minimal or negative. Moreover, the effects of European economic integration on FDI at the industry level have been seen, with a greater influx of FDI occurring outside the EU in some sectors (Simionescu, 2018).

The FDI-GDP nexus in African countries has been examined via the use of dynamic panel data analysis. The results indicate that FDI does not have a significant impact on growth in a substantial number of African nations (Mahembe & Odhiambo, 2016). Moreover, the authors Boakye-Gyasi and Li (2015) have evaluated the effect on employment generation of FDI in African countries like Ghana, considering the recent increase in FDI inflows to the region.

The research, titled "Foreign Direct Investment and Economic Growth: The Role of Corruption Control in North Africa," examines the FDI–GDP relationship in North African countries, with a specific focus on the influence of corruption regulation.

The study highlights the significant impact on GDP growth of institutional quality in mediating the impact of FDI. Moreover, Muhamad et al., 2020 examined the effects of Foreign Direct Investment (FDI) on the economic development of states within the West African Economic and Monetary Union (WAEMU). As the findings suggest, FDI has a positive effect on GDP growth.

The effect of FDI on economic development in the European Union (EU) as well as African states is influenced by many factors, including institutional quality, human capital, and market liberalization. The traditional thesis highlights the role of Foreign Direct Investment (FDI) in increasing the amount of capital available for investment. However, recent research underlines the significance of FDI as a means of transferring technology internationally.

A cross-border investment known as Foreign direct investment happens when a national from one country exercises significant influence or control over the management of a firm established in another country. In reality, it is possible to create a system in which 10% or less of the voting shares are required to gain control or influence (IMF, 2009). Foreign direct investment can be conducted in several ways: (1) as a greenfield enterprise, which is a completely new economic entity established on a different country's territory; (2) as a merger or acquisition of existing facilities; and (3) as a joint venture with local investors from the host nation (Miljković, 2008).

A common feature at the start of the transition phase for all transition nations is the absence of domestic accumulation to fund projects. The expansion of local production capacity was impossible without the influx of foreign money, thus the transition nations focused heavily on establishing an investment climate to draw in international investors. Before The worldwide economic downturn of 2008, the transition countries saw a significant influx of FDI in the form of (FDI), which was fueled by the CE country's increased institutional integration with the EU's developed nations. Higher levels of investment in comparison to domestic savings were made possible by FDI inflows and other kinds of capital finance. There were two unique reasons why investments in the banking sector were significant for the host nation. First, foreign direct investment (FDI) denoted the inflow of foreign reserves during the privatization process when new banks were established, or old ones were acquired. Second, they made it possible for citizens of the host nation to receive bank loans made possible by foreign reserves. The 2008 global financial crisis decreased foreign capital influx.

The 2008 global financial crisis decreased foreign capital influx. According to estimates, foreign direct investment (FDI) in the transition nations was 45% less than anticipated during the period after the start of the global economic crisis (EBRD, 2015, p. 23). Less money was invested as a result. The drop in investments resulted in an exceptional decrease in the deficit of the balance of goods and services, accompanied by a minor gain in savings. However, larger investments are needed for a meaningful decline in unemployment and steady economic development, and the internal balance is given precedence over the external balance in contemporary economic policy. Following the global financial crisis, transition nations saw investments of around 20% of their GDP, which was around 10% less than investments in Asia's rapidly expanding economies (EBRD, 2015).
Unrestricted capital flows enhance economic development by optimizing resource allocation, as per economic theory. FDI is often seen as a universal solution for all economic problems by economists, international financial institutions, and policymakers in rapidly developing countries. Furthermore, it is widely believed that Foreign Direct Investment (FDI) has a positive impact on the development of the economy. Although some empirical studies have not shown the existence of a positive correlation between foreign direct investment (FDI) inflows and economic development (Mencinger, 2003; Umeora, 2013; Stanišić, 2008), the fact that many countries are actively pursuing greater FDI suggests otherwise. This research investigates the impact on GDP growth of FDI inflows in two European regions: Central Europe (including the Czech Republic, Poland, Hungary, Slovakia, Slovenia, Estonia, Latvia, and Lithuania) and Southeast Europe (such as Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Greece, Montenegro, North Macedonia, Romania, Serbia, and Turkey).

Even though Estonia, Latvia, and Lithuania are not technically in Central Europe, they will still fit into a pattern of that region due to their shared transitional experiences and, more importantly, their simplicity.

Bulgaria, Romania, Serbia, Macedonia, Montenegro, Bosnia, and Herzegovina, and Bania). The fundamental premise this research tests is that the CE nations' respectable economic progress is unquestionably attributable to FDI. FDI inflows into the SEE nations have been far lower than anticipated. The question is whether the current stream of scarce resources has been used sufficiently, that is if it has served the purpose of economic expansion and growth. This paper hypothesizes that the SEE nations' economies have grown without much help from foreign direct investment (FDI). If this theory is confirmed, policymakers in the SEE nations will be informed that efforts should be focused on more than only the development of initiatives aimed at both luring in foreign direct investment and exploiting it. If not, they will need to explore alternative avenues for launching a noteworthy and enduring economic expansion, enhancing the competitiveness of the domestic economy, and mitigating the possible adverse consequences of entering the EU at a level that precludes equitable competition with market forces within the EU.

Approximately 65 per cent of all foreign capital flows were achieved as loan capital movements up to the 1970s (Milkovich, 2008). From World War II until the first oil shock, foreign direct investment (FDI) dominated the flow of money into the country. The increase of FDI decreased in the 1970s and 1980s. Global FDI increased significantly as a result of high investment activity by Japanese businesses in the second half of the 1980s and by multinational corporations from the US, Europe, in Southeast Asia after the 1990s. In the latter part of the 1990s, there was a significant surge in foreign direct investment (FDI) because of the heightened frequency of corporate mergers and acquisitions in developed countries.

FDI decreased as a result of the recession at the start of the twenty-first century, but it again resumed expanding until the global economic crisis of 2008, partly as a result of an increase in foreign mergers and acquisitions (Pugel, 2016). When compared to 2005, 2006 saw the largest rise in global FDI inflows over the 2000–2014 time frame. FDI drastically decreased Due to the 2008 global economic crisis. The text provided by the user is incomplete. The recovery from the crisis has resulted in a steady rise in FDI flows. Global FDI flows, however, are still less than they were before the crisis, as seen in FDI inflows to developing nations surged sharply in the early 1990s. Significant foreign direct investment (FDI) was drawn to a select group of emerging nations in South and East Asia and Latin America due to factors such as economic reforms, cheap production costs, and demand growth (Pugel, 2016). Since that time, the proportion of emerging nations Between 1998 and 2013, there were some changes in the overall growth of foreign direct investment inflows. Developing nations drew more foreign direct investment (FDI) than developed nations in 2014, accounting for 55.5% of all FDI inflows, marking a first for these nations. But with 54.62% of the overall inflow, developed nations reclaimed their position as the biggest recipients of FDI in 2015. At under 2% of global FDI input, FDI inflow into transition countries in 2015 was at its lowest point during the period from 2006 to 2015. Naturally, FDI inflows to Russia have decreased, which is the cause of this.

CHAPTER V

THE POSSIBLE IMPACTS OF FDI ON THE POLITICS OF A COUNTRY.

5.1 Introduction

A nation's politics may be significantly impacted by foreign direct investment (FDI), which can have an influence on anything from social dynamics to economic policy. Researchers and analysts have looked at these effects in detail, highlighting both advantages and disadvantages. FDI has a wide range of consequences on politics, including social, governance, and economic aspects.

Governments are frequently under pressure from FDI to liberalize laws and enact economic changes to draw in more foreign investment. To establish a more favourable investment climate, for example, governments looking for FDI may lower trade barriers, streamline regulatory procedures, and improve infrastructure (Blomström & Kokko, 2003).

FDI was essential to China's economic transition, to name just one example. The Chinese government enacted market-oriented reforms to attract foreign direct investment, which resulted in significant economic development (Huang, 2008).

FDI may promote economic growth, which in turn can lead to political stability. Foreign investors are drawn to stable political settings because they value predictability and low risk. In response, governments can work to keep things stable to draw in and keep foreign capital (Globerman & Shapiro, 2002).

On the other hand, others contend that FDI may potentially make political corruption worse. Governments may grow reliant on investments from foreign investors, which might lead to unethical activities and a compromise of governance norms (Jensen & Malesky, 2018).

The way that FDI helps society can have an impact on social dynamics. For instance, FDI may worsen economic inequality and cause social discontent and political turmoil if it predominantly favours industries or geographical areas (UNCTAD, 2017).

FDI has been linked to rising inequality in Latin America. The uneven distribution of the advantages of FDI has triggered social and political concerns in countries such as Brazil and Mexico (Fajnzylber et al., 2002).

Concerns concerning national sovereignty may also be raised by FDI. According to critics, a nation's capacity to make autonomous policy decisions may be jeopardized by a high reliance on foreign funding as the interests of multinational firms (Strange, 1996) may sway governments. Concerns regarding sovereignty and outside influence are brought to light by the issue of the International Monetary Fund's effect on national policy during economic crises (Stiglitz, 2002).

FDI has a complex and context-specific impact on a nation's politics. While FDI has the potential to improve things like GDP development and stability, it may also have negative effects like possible inequality and threats to national sovereignty. To guarantee that foreign direct investment (FDI) promotes sustained growth and political stability, policymakers need to carefully manage these dynamics.

5.2 Labor Markets, Technology and Social Policies.

FDI has the power to affect a nation's social policies and labor markets. Governments may make changes to social programs, labour laws, and worker rights to draw in foreign investment. There could be advantages and disadvantages to this. For example, to attract international investors, several nations have adopted flexible labour market laws, which may increase employment opportunities but also raise issues with workers' rights (UNCTAD, 2020).

India changed its labour market in the early 2000s to draw foreign direct investment and boost its competitiveness. However, labour unions retaliated against these measures, which in turn generated discussions about how to strike a balance between workers' rights and economic progress (Rajagopal, 2009).

FDI frequently contributes to technological transfer and innovation in host nations by introducing cutting-edge technologies and management techniques. This can enhance a nation's industrial prowess and competitiveness. Economic growth may be promoted by governments using FDI to modernize their technological foundation (Alfaro & Charlton, 2009).

Ireland has become a centre for creativity and technology thanks in large part to its success in luring foreign direct investment (FDI) into the technology industry, especially from firms such as Apple and Intel. Ireland's political and economic environment has been significantly impacted by this (Barry, 2019).

Political dynamics can be impacted by FDI's environmental effects, particularly in areas like extractive industries. Concerns regarding sustainability may arise because of FDI prompting governments to review and occasionally loosen environmental restrictions to draw in investors (Grossman & Krueger, 1995).

Conflicts between environmental activists, indigenous people, and the government can arise (FDI) within the energy sector, as seen by the issue over the Dakota Access Pipeline in the United States. The political consequences brought to light the intricate relationship that exists between FDI, environmental regulations, and public opinion (Stewart, 2019).

Countries can use FDI as a strategy to fortify their geopolitical alliances and diplomatic connections. FDI-created economic interconnection can result in influence and collaboration in politics. For example, The Belt and Road Initiative of China includes significant FDI in several nations, which increases China's geopolitical might (Kaplinsky, 2019).

With the European Union, the geopolitical ramifications of FDI became clear. FDI contributed to the EU's integration of Eastern European nations, resulting in a web of interdependent political and economic relationships (Galgóczi et al., 2002).

Comprehending the complex effects of (FDI) on politics necessitates a detailed examination of the circumstances, industry dynamics, and policy decisions made by investors and host nations. While FDI possesses the capacity to positively affect society, it also presents issues that governments must resolve to promote equitable and sustainable development.

The effects of FDI on the environment may turn into a political controversy. Some investors may follow laxer environmental regulations in their host nations, which raises questions regarding resource exploitation and sustainability. Citizens and activists may put pressure on governments to impose more stringent laws (Neumayer, 2004).

FDI Oil production in Nigeria has been associated with social unrest and environmental deterioration, which has prompted governmental solutions to address these challenges (Asiedu, 2002). A nation's geopolitical position and commercial ties can be impacted by FDI. Governments might deliberately draw in FDI to fortify economic relations with particular nations or areas, therefore augmenting their geopolitical clout (Dunning, 2000). With significant FDI in several nations, China's Belt and Road Initiative shapes China's geopolitical power through economic involvement (Yu, 2020).

International investors could negotiate with host governments for policy concessions. Governments may provide tax rebates, regulatory exemptions, or other incentives in exchange for foreign direct investment. This may result in a complicated interaction between decisions made on domestic policy and international interests (Jensen, 2003). Political compromises were made by member nations during trade agreement negotiations, as seen in the case of the Trans-Pacific Partnership (TPP), to draw foreign direct investment and strengthen economic cooperation (Petri & Plummer, 2016).

Social welfare policy and labor markets are both impacted by FDI. Even if it may result in the creation of jobs, worries about labour exploitation and the repression of workers' rights can surface. There might be pressure on governments to reconcile the need for social justice with investor attraction (UNCTAD, 2020). The discussion around working conditions in multinational firms, with a focus on the textile and apparel sector in developing nations, brings to light the relationship between social welfare, politics, and foreign direct investment (FDI) (Maitland, 2005).

Investment from abroad (FDI) can affect a nation's capacity to react and recover during economic downturns. During financial downturns, countries that largely depend on short-run (FDI) may become vulnerable. To lessen the impact of external shocks, governments might need to put strong policies into place (Cerra & Saxena, 2008).

Different political actions were taken to stabilize the economy of nations that received considerable FDI in response to the 2008 global financial crisis (IMF, 2009). (FDI) can have considerable influence on a nation's politics in a variety of sectors, including trade relations, technology, and environment, social welfare, political bargaining, and crisis management. The intricate nature of these relationships highlights the need for careful policy measures that balance FDI gains with possible drawbacks and national interest protection.

(FDI) may possess a considerable impact on a nation's politics, and these effects can vary depending on several factors, including the host country's political system, the nature of the investment, and the motivations of the foreign investors. Here are some possible impacts of FDI on a country's politics:

5.3 Increased Political Influence of Foreign Investors

FDI and Democracy by Jensen & Wantchekon (2004) explored the link between FDI and political influence. FDI often comes with the expectation of a favourable business environment. In some cases, foreign investors may use their economic leverage to influence the host country's political decisions. This can range from lobbying for policy changes that benefit their interests to exerting pressure on governments to avoid regulations or taxation that may affect their investments negatively.

FDI and Host Country Policies by Markusen & Maskus (2001) discuss how FDI can influence host country policies. The presence of significant FDI inflows can lead to policy changes in areas such as taxation, labour regulations, environmental standards, and intellectual property rights. Host governments may make concessions or enact reforms to attract and retain foreign investors, potentially altering the domestic political landscape.

FDI and Political Risk" by Busse & Hefeker (2007) investigate the relationship between FDI and political stability. FDI can contribute to political stability by creating jobs, increasing income, and fostering economic growth. However, it can also lead to political instability if it is associated with corruption, social inequality, or disputes over resource allocation. The social and political consequences of FDI can influence the level of political stability in a country.

5.4 Influence on Domestic Interest Groups

FDI, Political Resentment, and the Privatization Process in Eastern Europe by Malesky & Taussig (2009) examine how FDI affects domestic interest groups.

FDI can create winners and losers within a host country. Local businesses that face increased competition from foreign firms may become politically active in opposition to FDI. On the other hand, sectors benefiting from FDI may form alliances with foreign investors, influencing the political landscape by shaping policy debates and electoral outcomes.

Concepts related to regulatory capture and rent-seeking are discussed in the political economy literature, such as in the works of (Stigler et al., 1971). In some cases, FDI can lead to regulatory capture, where foreign investors gain undue influence over regulatory agencies or government officials responsible for overseeing their industries. This can undermine transparency and regulatory effectiveness, potentially eroding public trust in the political system.

FDI can have implications for international relations and diplomacy. Research on this topic includes discussions of economic statecraft and geopolitical strategies, such as "Economic Statecraft" by Baldwin (1985). Countries often use FDI as a tool of diplomacy and geopolitics. Governments may strategically encourage or discourage FDI from certain countries to advance their foreign policy objectives. The involvement of foreign investors can influence a country's relationships with other nations.

In conclusion, the effect of foreign direct investment on the GDP of a nation is multifaceted and context-specific. While FDI can bring economic benefits, it can also have profound implications for a country's political landscape, influencing policies, interest groups, and even diplomatic relations. Researchers continue to explore these complex dynamics to better understand how FDI interacts with politics in various host countries.

Table 1 Meta-table

Author	**Country**	**Research Objective**	**Year**	**Methods**	**Result**	**Recommendation**

Abedel bagi (2016)	Africa	examined migration, remittances, trade openness	2016	GMM	GDP	Multiple studies have investigated the correlation between foreign direct investment (FDI) and growth in the economy.
Oluyemi et al. (2015)	Ghana	evaluated the activities of Nigerian Diasporas in Ghana in	2015	chi-square	FDI	The significance of remittance from Nigerian expatriates in Ghana for Nigeria's economic growth.
Ramirez et al. (2001)	Nigeria	If the relationships are non-linear and this may lead to wrong policy	2001	non-linear	FDI (+)	Prescription if economic growth reacts asymmetrically over the high and low inflow of FDI and remittances.
Das & Sethi (2019)	Sri Lanka's	They discovered in their analysis that remittances have a significant impact	2019	panel data	REM-	They concluded that remittances from migrants improve family
Ramirez et al., (2001)	Nigeria	If the relationships are non-linear and this may lead to wrong policy	2001	non-linear	FDI (+)	Prescription if economic growth reacts asymmetrically over high and low inflow of FDI and remittances.

Oyatoye et al. (2011)	Nigeria	examine FDI-GDP relationship in Nigeria	2011	Square regression	FDI$^{(+)}$	A single unit rise for FDI leads to a significant N104.749 increase in Gross Domestic Product (GDP) at the microeconomic level

Note: $^{(+)}$ denotes positive association

CHAPTER VI

DATA AND METHODOLOGY

6.1 Introduction

This chapter scrutinizes the influences of foreign direct investment (FDI), remittances (REM), imports (IMP), and exports (EXP) on economic growth (GDP). The ARDL framework was applied to examine the influences of the regressors' variables on the dependent variable. The collected data on FDI, remittances, and Nigeria's economic development are presented and analyzed. Various charts, tables, and graphs are employed to illustrate the patterns and trends observed in the data.

6.2 Source of Data

The empirical analysis of the effects of FDI and remittances on economic growth in Nigeria. The period is 30 years from 1981-2021. The data of variables used in the regression models are extracted from the World Development Indicators (WDI) databank. FDI is an acronym for Foreign direct investment, measured as the net inflows (% of GDP). Remittances (REM) is the repatriation of dividends and personal remittances of the citizens in diaspora, measured as received (current US$)

The GDP is an acronym for Gross Domestic Product, which measures the value of all goods and services generated in the country throughout a year, measured in (constant 2015 US$). Import (IMP) and Export (EXP) are measured in constant 2015 US$.
This extends the investigations that had been previously done on the debate. There are four independent variables which are FDI, REM, IMP, and EXP while GDP is the dependent variable. The data obtained from WDI are analyzed to investigate the impact of the independent variables on the dependent variable. The data collected spanned between the periods 1981 to 2021. The Nigerian economy is chosen based on two factors. Firstly, this economy has shown significant improvement and commitment to allowing foreign investors into the country as shown by World Bank reports (2020). Secondly, another factor is the availability of data in Nigeria.

6.3 Descriptive Analysis

Descriptive analysis summarizes the data in a more meaningful manner while inferential analysis helps to conclude the data. Descriptive analysis: mean, median and standard deviation are employed to summarize the characteristics and distribution of the data. In this study, the data spanned from the period 1981-2021. GDP is an acronym for economic growth and the regressor variables are foreign direct investment (FDI), remittances (REM), export (EXP) and import (IMP).

6.4 Model Specification - ARDL model

We specify the linear relationship among the variables in a function below:

GDP= f (FDI, REM, EXP, IMP). (1)

Where LGDP denotes the gross domestic product already defined above. FDI means foreign direct investment, REM stands for remittances. EXP means export to another country and IMP denotes importation from another country. Econometrically, this function is represented by natural logarithm as shown below:

$$Lgdp_{it} = \beta_0 + \beta_1 lnfdi_{it} + \beta_2 lnrem_{it} + \beta_3 lnexp + \beta_4 lnimp + \mu_{it}$$
(2)

In the scrutiny of the long-run and short-run relationship between variables in this study, Autoregressive Distributed Lag (ARDL), developed by Pasaran (2001), was used. The model is appropriate relative to other methods when variables are stationary at either I (0), I (1), or a joint of both. There are two processes in the ARDL framework: long-run framework and short-run framework. The procedure involves estimating the long-run coefficients using the outcomes of the ARDL estimate to detect whether there exists a long-run linkage between the parameters. The ARDL equation is built based on the first equation is shown as follows:

$$\Delta lnGDP_t = \theta_0 + \sum_{i=1}^{q} \rho_1 \Delta lnGDP_i + \sum_{i=1}^{f} \rho_2 \Delta lnFDI_i + \sum_{i=1}^{f} \rho_3 \Delta lnIMP_i + \sum_{i=1}^{f} \rho_4 \Delta lnEXP_i$$
$$+ \sum_{i=1}^{f} \delta_1 lnGDP_{2i} + \sum_{i=1}^{f} \delta_2 lnFDI_{2i} + \delta_3 lnIMP_{2i} + \delta_4 lnEXP_{2i} +$$
$$+ \omega ECT_i + \varepsilon_i$$

6.5 Error Correction Model (ECM)

The equation of co-integration computes the long run; therefore, we first observe the stationarity or co-integration of the variable before estimating the model. The value between -1 and 0 is the point at which the coefficient error correction term should be situated, and it must be negative. The negative sign represents the extent or speed of adjustment or degree of correction.

We check the accuracy of the model to make precision, and we also check the model fit using diagnostic tests such as heteroscedasticity, serial autocorrelation, and residual normality. For instance, if residual values are greater than their expected values, it signals the presence of autocorrelation in the data. As a result, we may rule out the null hypothesis and determine that the model exhibits heteroscedasticity.

CHAPTER VII

RESULTS AND DISCUSSION

7.1 Introduction

In this section, empirical findings are discussed considering the research questions and hypotheses of the research. The hypotheses are tested and interpretations and explanations of the statistical findings on the impact of FDI and remittances on economic growth are presented. Potential mechanisms or how these variables affect economic growth in Nigeria are also explored.

7.2 Descriptive Statistics

Table 1 displays descriptive statistics of the variables of interest in this study, including Foreign Direct Investment (FDI), Personal Remittances (REM), Gross Domestic Product (GDP), Import (IMP) and Export (EXP). The mean and median values of GDP per capita are the largest, followed by export, import, personal remittances and FDI.

Table 2 Descriptive Statistics

	LFDI	LREM	LGDP	LIMP	LEXP
Mean	-0.023	-0.441	26.177	2.460	2.806
Median	0.084	0.515	25.971	2.563	2.999
Maximum	1.756	2.120	26.974	3.127	3.584
Minimum	-4.621	-5.321	25.464	1.108	1.658
Std. Dev.	1.094	2.527	0.533	0.510	0.527

Skewness	-1.752	-0.839	0.268	-1.071	-0.687
Kurtosis	8.758	2.085	1.501	3.650	2.360
Jarque–Bera	77.645	6.246	4.330	8.569	3.931
Probability	0.000	0.044	0.114	0.013	0.140
Sum	-0.943	-18.107	1073.29	100.88	115.08
Sum Sq. Dev	47.918	255.63	11.364	10.438	11.137
Observation	41	41	41	41	41

It provides a measure of central tendency. For instance, the median values for FDI, REM, GDP, IMP and EXP, are 0.084296, 0.515231, 25.97191, 2.563855, and 2.9990 54, respectively. Suggesting that half of the observations for all the variables fall below this value and the other half above it. The max. and min. values of the data indicate the highest and lowest magnitude observed for each variable, respectively. For instance, the maximum value for FDI, REM, GDP, IMP, and EXP are 1.756279, 2.120323, 26.97416, 3.127254, and3.584165, and the minimum values are -4.621021, -5.321916, 25.46419, and1.658055, respectively. The standard deviation measures the dispersion or variability of the values around the mean. A higher standard deviation indicates greater variability. However, variances of FDI, GDP, EXP and IMP have the second, third-, fourth, and fifth, respectively, are large, indicating that the variables may be quite distinct from the actual. Skewness, a measure of the asymmetry of the distribution of values, as expected is around zero. Positive skewness of GDP suggests a longer right tail, indicating the presence of relatively larger values on the right side of the distribution, but relatively close to zero. Kurtosis values quantify the steepness or flatness of the distribution of values. Higher kurtosis values (e.g., for FDI, IMP, EXP, and REM) indicate more extreme values or heavier tails. The Jarque-Bera test checks if the distribution of values deviates significantly from a normal distribution. The test is based on skewness and kurtosis values. The lower the probability value of skewness and kurtosis values, around 0 and 3 respectively, the higher the likelihood of the data being normally distributed. Also, Jarque-Bera is significant at the 1% significant level, indicating that the dataset is normally distributed.

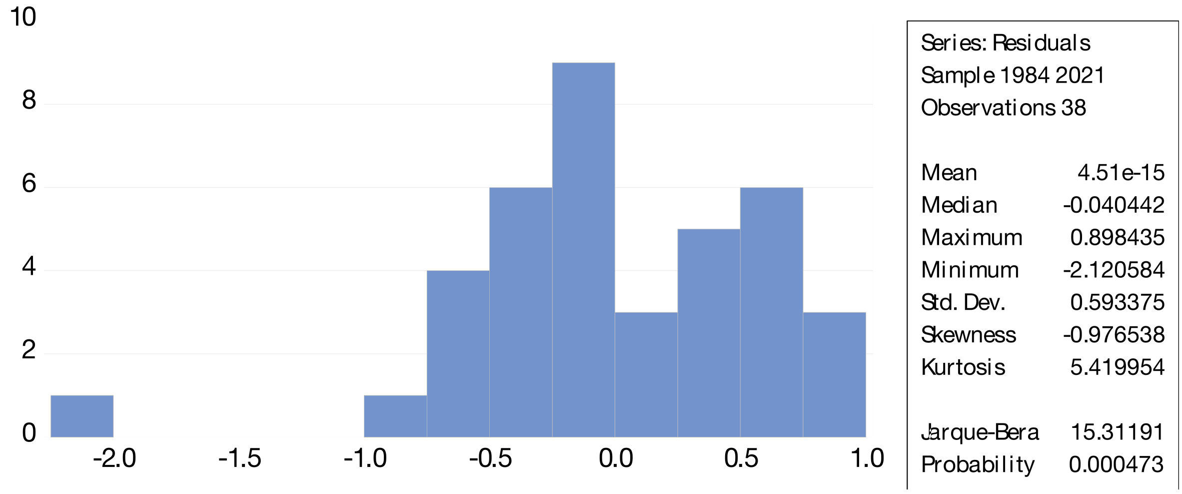

Figure 1 Normality test

7.3 Unit root tests

Five variables are being tested using unit root tests: InFDI (foreign direct investment), InREM (Personal remittances, received), InGDP (gross domestic product), LNIMP (Import), and InEXP (Export). The tests are conducted at both level and first difference. The unit root tests reveal that all five variables have a unit root at the level. This implies, as shown in Figure 1 below, that the variables have a trend, but it is not stationary. In other words, the variables have a propensity to wander and do not have a steady mean or variation over time. Also, the ADF and PP tests unit root at the level show that the variables are not stationary.

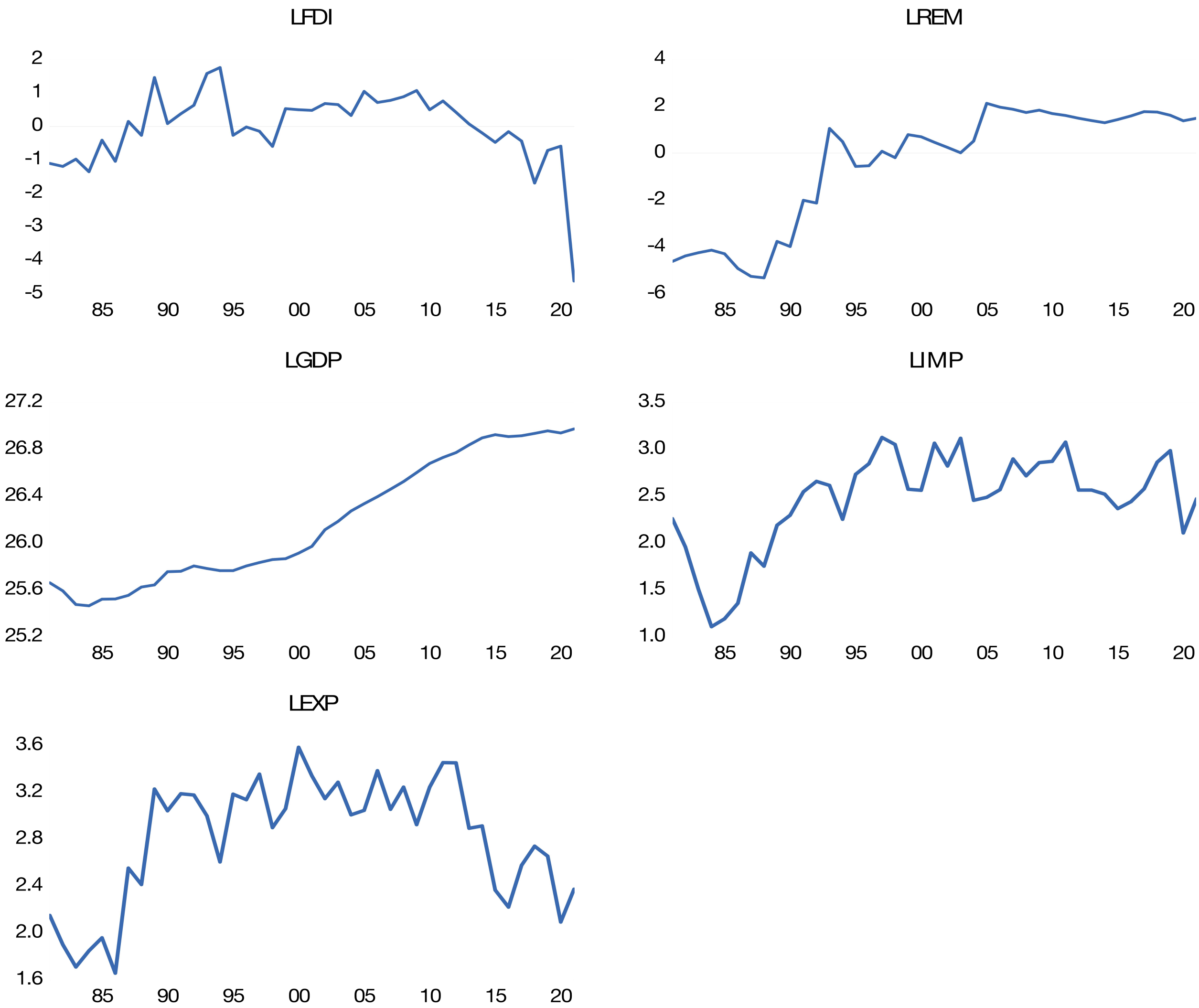

Figure 2 Stationary test

Table 3 Unit Root

Variable	ADF		PP	
	Level	First Difference	Level	First Difference
LNFDI	-1.3778	-5.768*	-1.378	-7.794*
LNREM	-1.659	-7.066*	-1.593	-7.087*
LNGDP	-1.887	-3.888**	-3.055	-3.749**
LNIMP	-2.409	-7.041*	-2.418	-9.516*
LNEXP	-2.060	-8.680*	-1.831	-14.640*

Note: * and ** represent significant at 1% and 5% levels, respectively.

This suggests that variables should be differentiated before being utilized for investigation. This is to ensure that the variables remain stationary, with a consistent meaning and variation across time. Taking the first difference, Table 2, the variables are stationary.

7.4 Correlation Matrix

The correlation matrix, Table 4, shows that there are several positive and negative correlations between the variables. LNGDP and LNREM, for example, have a very high positive association, but LNGDP and LNFDI have a small negative correlation. The correlation matrix is useful for determining correlations between variables. The significant positive correlation between LNGDP and LNREM, for example, indicates that these two variables tend to move in the same direction, indicating that while LNGDP rises, LNREM rises as well, and vice versa.

Table 4 Correlation statistics

	LNGDP	LNFDI	LNEXP	LNIMP	LNREM
LNGDP	1.00				
LNFDI	-0.142	1.00			
LNEXP	0.182	0.575	1.00		
LNIMP	0.475	0.288	0.778	1.00	
LNREM	0.804	0.190	0.511	0.717	1.00

Outliers can also be identified using the correlation matrix. The poor negative correlation between LNGDP and LNFDI, for example, shows that these two variables may not be connected. This might be because of an outlier in the data. Overall, the correlation coefficient between LNGDP and LNREM is 0.804. This is a significant positive correlation, indicating that these two variables may tend to move together. When LNGDP rises, LNREM tends to rise as well, and vice versa. LNGDP and LNFDI have a -0.142 correlation. This is a weak negative correlation, implying that the two variables are unrelated. This might be because of a data outlier. LNEXP and LNIMP correlate 0.778. This is a significant positive correlation, indicating that these two variables tend to move together. When LNEXP rises, LNIMP rises as well, and vice versa.

7.5 ARDL Bound Test

We check whether cointegration exists between the variables of interest using the bound test. This is to examine the presence of long-run nexus among the variables. We selected the unrestricted constant and no trend for fixed regressors specification and the hypothesis of no cointegration was tested. In Table 4 below, the calculated F-stat is 6.46 above the upper bound (I(1)) and lower bound (I(0)).

Table 5 ARDL Bound Test

Test Statistic	Value	Signif.	I(0)	I(1)
F-statistic	6.464490	10%	2.45	3.52
K	4	5%	2.86	4.01
		1%	3.74	5.06

The critical values, at a 1% significance level for I (1) and I (0), are 3.74 and 5.06, respectively. Hence, the cointegrating relationship between the variables, shown by the F-stat value is statistically significant at 1%, implies that the hypothesis of no level's relationship among the variables under the study can be rejected, meaning that GDP is cointegrated with FDI, remittance, import and export variables.

7.6 ARDL Result

The ARDL technique is an appropriate model because the variables' stationarity happened at order 1(1). The LNREM without lag significantly and positively influences GDP. At lag 1, DLNREM affects GDP significantly but hurts GDP. At lag 2, DLREM influenced the GDP insignificant and negatively impacted. FDI without lag and at lag 1 significantly influenced GDP positively and negatively, respectively. DIMP without lag is not significant but has a positive impact on GDP. IMP at lag 1, affects significantly but negatively influenced GDP. At lag 1 and 4 LEXP significantly impact the GDP positively and negatively, respectively. The R squared is 99% and the dF value is 18.08 (p = .000) which means it is significant. The Durbin- Watson test is good at 2.8132 indicating that there is no serial correlation problem in the model.

In Table 6., the result offers vital evidence of the positive connection between personal remittances and economic growth as the data reveals that every 1% rise in remittance will lead to a 51.39% increase in economic growth. The result reveals that economic growth, foreign direct investment, and import have a negative relationship in the long run, as the data show that for every 1% increase in foreign direct investment and import, economic growth will decrease by 0.28 and 1.277% respectively. Moreover, a 1% rise in exports may, on average, lead to an increase in economic growth of 1.056%. Also, the result shows that a 1% rise in personal remittance will cause Economic growth in Nigeria to rise by 0.514%. Hence, FDI and IMP influence economic growth significantly and negatively while REM and EXP significantly and positively affect the GDP.

Table 6 ARDL Short Run Result

variables	Coeff.	S.E	t-stat	p-value
LGDP(-1)	0.898***	0.119	7.56	0.000
LGDP(-2)	0.348*	0.182	1.907	0.077
LGDP(-3)	-0.295**	0.123	-2.404	0.031
LREM	0.023***	0.007	3.187	0.007
LREM(-1)	-0.026***	0.007	-3.456	0.004
LREM(-2)	-0.004	0.007	-0.543	0.595

LREM(-3)	0.013*	0.006	2.064	0.058
LREM(-4)	0.019**	0.006	2.819	0.014
LFDI	-0.008***	0.004	-1.945	0.072
LFDI(-1)	0.020**	0.007	2.691	0.018
LFDI(-2)	0.011	0.008	1.276	0.223
LFDI(-3)	0.002	0.006	0.328	0.747
LFDI(-4)	-0.039***	0.007	-5.441	0.000
LIMP	0.017	0.018	0.916	0.375
LIMP(-1)	-0.021	0.016	-1.321	0.208
LIMP(-2)	-0.059***	0.017	-3.485	0.004
LE_XP	0.006	0.013	0.418	0.682
LE_XP(-1)	0.041***	0.013	3.226	0.006
LE_XP(-2)	0.017	0.013	1.267	0.226
LE_XP(-3)	0.034**	0.014	2.446	0.028
LE_XP(-4)	-0.045***	0.014	-3.239	0.006
CON	1.338**	0.498	2.684	0.018
R^2	0.99	F-stat.	1808.4 [0.000]	
$\bar{R}^2$	0.99	DW-statistic	2.8132	

Note: ***; **; and* reflect 1%, 5%, and 10% levels of the significance used in this study.

Table 7 ARDL Long-run Result

Variable	Coeff.	S.E	t-stat	p-value
LREM	0.514***	0.092	5.568	0.000
LFDI	-0.280	0.222	-1.261	0.228
LIMP	-1.278**	0.545	-2.34	0.034
LE_XP	1.056	0.769	1.373	0.191
CON	27.191***	1.235	22.007	0.000

The error correction model (ECM) on the result is presented in Table 8 The ECM model indicates a statistical significance and relationship between the variables. The dLGDP_1 coefficient is -0.053, with a standard error (S.E) of 0.119, t-value and p-value are given as -0.444 and 0.662, respectively, showing that the variable does not have a significant impact on the economic growth of Nigeria. The dLGDP_2 coefficients are 0.295, with an S.E of 0.123, given the t-value as 2.405, and p-value as 0.027. This variable is statistically significant and has a positive impact on GDP. The dLREM coefficient is 0.023, with an S.E of 0.007, given the computed t-value as 3.187, and its p-value as 0.005. This variable is statistically significant and positively affects economic growth in Nigeria.

Table 8 ECM Result

variable	Coeff.	S.E	t-stat	p-value
dLGDP_1	-0.053	0.119	-0.444	0.662
dLGDP_2	0.295**	0.123	2.405	0.027
dLREM	0.023***	0.007	3.187	0.005
dLREM_1	-0.028***	0.005	-5.163	0.000
dLREM_2	-0.032***	0.005	-5.798	0.000
dLREM_3	-0.019**	0.007	-2.819	0.011
dLFDI	-0.008*	0.004	-1.945	0.068
dLFDI_1	0.026**	0.01	2.551	0.020
dLFDI_2	0.037***	0.008	4.794	0.000
dLFDI_3	0.039***	0.007	5.441	0.000
dLIMP	0.017	0.018	0.916	0.372
dLIMP_1	0.059***	0.017	3.486	0.003
dLE_XP	0.006	0.013	0.419	0.681
dLE_XP_1	-0.005	0.02	-0.302	0.766
dLE_XP_2	0.011	0.015	0.725	0.478
dLE_XP_3	0.045***	0.014	3.239	0.005
CON	1.338**	0.499	2.684	0.015
ECM(-1)	-0.049**	0.017	-2.897	0.010
R^2	0.92993		AIC	94.0963
$\bar{R}^2$	0.82482		SBC	6.6776
F-stat.	10.9292		DW-statistic	2.8132

Note: X_{SC}, X_{HET}, X_{NORM}, and X_{RAMSEY} are serial correlation LM, heteroscedasticity, and normality. ***; **; and* reflect 1%, 5%, and 10% levels of the significance used in this study.

The dLREM_1 coefficient is -0.028, with an S.E of 0.005, given the t-value and p-value as -5.163 and 0.000, corresponding that the dLREM_1 has a significant negative impact on economic growth in Nigeria. The dLREM_2 coefficient is -0.032 (t-statistic = -5.798, p-value = 0.000.) statistically significant and negatively affects economic growth in Nigeria. the dLREM_3 coefficient is -0.019 (S.E = 0.007, t-statistic = -2.819, the p-value is 0.011), showing that the variable has a significant negative impact on economic growth in Nigeria. the FDI coefficient is -0.008 (S.E = 0.004, t-value = -1.945, p-value = 0.068), this variable does not have a statistically significant impact on economic growth in Nigeria. the dLFDI_1 coefficient is 0.026 (S.E = 0.01, t-value = 2.551, p-value = 0.020, this variable is statistically significant and has a positive impact on economic growth in Nigeria. the dLFDI_2 coefficient is 0.037 (S.E = 0.008, t-value = 4.794, p-value = 0.000), indicating that the variable is statistically significant and positively affects economic growth in Nigeria. the dLFDI_3 coefficient is 0.039 (S.E = 0.007, t-value = 5.441, p-value = 0.000), meaning that the variable is statistically significant and positively affects economic growth in Nigeria. The dLIMP coefficient is computed as 0.017 (S.E = 0.018, t-value = 0.916, p-value = 0.372), reflecting that dLIMP does not have a statistically significant influence on economic growth in Nigeria.

Table 9 Diagnostic tests

		t-statistics	p-value
Serial Correlation	*(X_{SC})*	1.239	[0.355]
Heteroscedasticity	*(X_{HET})*	0.742	[0.585]
Normality	*(X_{NORM})*	0.7531	[3.786]

Notes: X_{SC} = Lagrange multiplier test of residual serial correlation. X_{NORM} = Based on a test of skewness and kurtosis of residuals. $X_{HET.}$ = Based on the regression of squared residuals on squared fitted values.

We verify the appropriateness of the estimated ECT model by testing the model using diagnostic adequacy tests. These include the Jarque-Bera test on normality

(X_{norm}), Ramsey Reset LM test (X_{RASEY}) for functional form, Serial correlation LM test (X_{SC}) for autocorrelation, and Breusch-Pagan heteroscedasticity test (X_{HET}). These are presented in the lower panel of Table 5. The model passed all diagnostic tests suggesting error normality, absence of autocorrelation and parameter stability. $\bar{R}^2$ (82%) is adequate for model fit. Accordingly, the inflow model is adequately specified.

The "F-statistic" measures the overall significance of the model, with a value of 10.9292 and a p-value of 0.000. The AIC (Akaike Information Criterion) value is 94.0963. The values in brackets represent the values in the square brackets, which could be the heteroscedasticity test (X_{HET}) and the normality test (X_{NORM}).

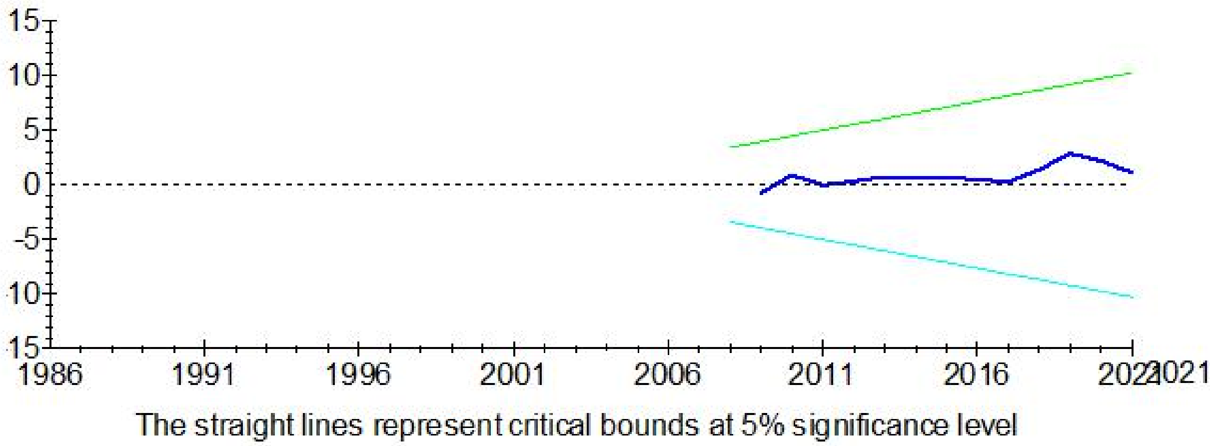

Figure 3 CUM-SUM test

The CUSUM test remains between the 5% critical bounds, which shows that the model is structurally stable. As shown in Figure 6.3, our model predicts that optimal GDP is invariant to the FDI, instead HG chooses to reap the benefits of higher oil prices through a higher tax 20 rate without having to lower its LC requirement. This adjustment lets the HG enjoy higher welfare as oil price goes up (Figure 4). Besides, since the gap between the curves in Figure 6.3 widens as FDI increases, we can conclude that the increase in FDI, is an increase in economic growth.

DISCUSSION

The FDI is significant in both the short run and run long, however, it has negative signs. This could be a result of instability of the economy and weak economic infrastructure. These factors such as political instability, policy uncertainty, and fluctuations in commodity prices could create risks and uncertainties for foreign investors, leading to a reluctance to commit capital in the short term. More so, inadequate economic infrastructure, including transportation networks, energy supply, and communication systems, could increase operating costs for businesses and hinder the realization of short-term benefits from FDI. This finding is in line with. Adarkwa (2015) discovered that remittance inflows were positively connected to economic development in Nigeria and Senegal, negatively. Nigeria's economy has experienced periods of volatility due to fluctuating oil prices, political instability, and insecurity in certain regions. Such instability can deter foreign investors who seek predictability and stability for their investments. Another challenge is the slow growth-led sectors in Nigeria. Nigeria faces significant infrastructure deficits, including inadequate power supply, transportation networks, and logistical challenges. Poor infrastructure increases the cost of doing business and reduces the attractiveness of investing in the country.

Nonetheless, FDI has the potential to contribute to the development of domestic industries, leading to increased production capacities, technological capabilities, and competitiveness in global markets. It supports the trade openness of a country through training programs, knowledge transfer, and skill enhancement, which can improve productivity and spur innovation and entrepreneurship in the long term. Nigeria's economy relies heavily on oil exports, which exposes it to the volatility of global oil markets. This dependence can make the country less attractive for investment diversification, especially when oil prices are low. Based on this finding, economic diversification may become necessary for developing countries like Nigeria by facilitating the development of non-oil sectors, reducing dependence on volatile commodity markets, and fostering sustainable economic growth over the long run.

However, in the context where the magnitude of FDI's impact is relatively small as in this case, despite its potential positive effects, this implies that Nigeria may face challenges in effectively absorbing and utilizing FDI due to constraints such as institutional weaknesses, regulatory bottlenecks, and a lack of skilled labour, which can limit the transformative impact of FDI over the long term. In addition, structural barriers such as inadequate infrastructure, bureaucratic inefficiencies, and regulatory hurdles may impede the full realization of FDI's potential benefits, leading to a mismatch between expectations and actual outcomes in the long run. This finding is consistent and in line with. Sothan (2018), for example, used the linear regression model to examine the effect of foreign aid on Cambodian GDP from 1980 to 2014. Utilizing the linear ARDL model. He found that negative link between FDI and GDP. He found that there is a positive correlation between GDP and remittances regulatory environment in Nigeria might be perceived as cumbersome or unpredictable by foreign investors. Complex bureaucratic processes, ambiguous regulations, and inconsistent enforcement of laws can deter investment.

Remittances can be seen as a relatively stable source of income compared to other forms of investment. Even during economic downturns, supporting family members back home may remain a priority for many Nigerians living abroad. It exhibits a lag in response to economic changes compared to other financial flows. During economic downturns, Nigerians abroad may initially prioritize stabilizing their financial situations before increasing remittance levels to their families back home. Remittances are often driven by familial ties, social obligations, and cultural norms. Despite economic challenges, Nigerians living abroad may feel a strong sense of responsibility to support their families, leading to a sustained level of remittance inflows over time. Remittances are often used to invest in education, healthcare, and small-scale businesses, and consumption contributes the economic growth in Nigeria. The variable appears to remain positive because there are familial ties, cultural obligations, and a relatively stable nature of remittance flows compared to other investments that influence the economic growth of Nigeria. One could submit that Nigerians abroad prioritize supporting their families back home, contributing to sustained levels of remittance inflows. This finding is consistent and in line with (Javaid (2017) investigated the influence of external capital inflows, including remittances, foreign direct investment (FDI), and official development assistance (ODA), on the economic development of Pakistan. from 1973 to 2014. Results indicate that ODA and FDI have an impact on Pakistan's GDP. While FDI is significant in both the short run and long run due to its potential to stimulate economic activity, promote technological transfer, and enhance competitiveness, its impact may be limited initially by economic instability, weak infrastructure, and structural barriers to growth. Addressing these challenges is crucial for maximizing the positive contribution of FDI to Nigeria's economic development over the long term.

CHAPTER VIII

SUMMARY, CONCLUSION AND RECOMMENDATIONS

8.1 Summary

This study investigates the impacts of FDI, remittances, imports and exports on economic growth in Nigeria. The coefficients, statistical significance, and t-statistics of various variables within an error correction model were examined. The variables considered included lagged GDP growth, remittances (both lagged and current), FDI (both lagged and current), imports, and exports.
The empirical findings revealed that remittances and FDI have significant impacts on economic growth in Nigeria. The impact of remittances is positive, while that of FDI is negative. Also, imports limit GDP, while export promotes it.

8.2 Conclusion

However, drawn from the analysis conducted, it can be inferred that both FDI and remittances play crucial roles in stimulating economic growth in Nigeria. The positive coefficients associated with lagged GDP growth, remittances, and FDI indicate that these factors contribute to a competitive growth environment in the manufacturing industry. These findings established the importance foreign investments and remittances from the diaspora play in fostering economic growth and development.

The roles of FDI and remittances in driving economic growth in Nigeria were mainly highlighted in the findings. Policymakers, stakeholders, and investors should recognize the importance of these factors and implement measures to attract and maximize their positive impacts. By creating a conducive environment for investments and facilitating efficient remittance flows, Nigeria can harness the full potential of FDI and remittances for sustained economic growth and development.

8.3 Recommendations

Taking the findings of this study into consideration, and to further enhance the positive effects of FDI and remittances on economic growth in Nigeria, some important recommendations are made as follows:

i. The Federal government should attract more foreign direct investment: Policy measures should be implemented to create a favorable and attractive investment climate that encourages more foreign direct investment. This can include providing tax incentives, improving infrastructure, streamlining bureaucratic procedures, and ensuring a stable and transparent regulatory environment.

ii. Facilitate efficient remittance inflows: Efforts should be made to streamline and simplify the process of remittance inflows, reducing transaction costs and improving access to financial services. This can be achieved through the development of digital payment systems and collaborations with financial institutions.

iii. Promote technology transfer and knowledge spillover: Policies should be aimed at encouraging technology transfer and knowledge spillover from foreign investors to local industries. This can be achieved through collaborations, partnerships, and capacity-building initiatives that promote skills development and knowledge exchange.

iv. Strengthen the manufacturing industry: To fully harness the potential of FDI and remittances, there is a need to focus on strengthening the manufacturing industry. This can be achieved through targeted investments in infrastructure, research and development, and the promotion of local industries to enhance competitiveness.

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SCIENTIFIC RESEARCH ETHICS COMMITTEE

18.01.2024

Dear Fatima Muhammed

Your project **"The Impact of Remittances and Foreign Direct Investment on Economic Growth in Nigeria"** has been evaluated. Since only secondary data will be used, the project does not need to go through the ethics committee. You can start your research on the condition that you will use only secondary data.

Prof. Dr. Aşkın KİRAZ

The Coordinator of the Scientific Research Ethics Committee